



BUS. ADM.  
LIBRARY

# *Credit*

## AND FINANCIAL MANAGEMENT

**APRIL 1942**

47th Annual  
**CREDIT  
CONGRESS**

at

Cincinnati, Ohio  
May 10th to 14th





## *Jewels* FOR THE MISTRESS OF THE SKIES

OF THE MANY PARTS that go into a plane, none are more important than the steel "jewels" that form bearings. A few years ago these tiny units were made almost entirely in Switzerland. Today, thanks to the patriotic willingness of an auto manufacturer and a precision toolist, the U. S. A. produces its own fine "jewels" in abundant quantities. Because of the small size of these vital parts, women's fingers prove more proficient in fashioning them. Thus, through the coordination of talent and the blending of energies, INDUSTRIAL TEAMWORK becomes our most indispensable product. Insurance, the industry that protects other industries, helps to keep INDUSTRIAL TEAMWORK alert!

### INSURANCE AIDS INDUSTRIAL TEAMWORK



It is about as necessary to industry as bearings are to machinery. Insurance provides a backlog of financial strength when unexpected mishap causes loss. But it is always on guard against these occurrences and often successfully eliminates the danger of hazard before it strikes. In all industry, insurance reserve dollars are widely invested and become bone and muscle to the ramparts of production.

FIRE • AUTOMOBILE • MARINE INSURANCE

★ THE HOME ★  
*Insurance Company*  
NEW YORK



# Credit

## AND FINANCIAL MANAGEMENT

### Contents for April, 1942

Credit's War Council! (Editorial) .....	Henry H. Heimann.....	2
Cutting Clerical Costs—Part I.....	Eugene J. Bengel.....	4
Credit Lessons of the Last War.....	J. W. Edenburn.....	7
Use and Occupancy Insurance.....	W. A. Earls.....	11
Thirty-Six Notes Replaced by One.....	George T. Simpson.....	13
A Credit Man Talks to Retailers.....	George T. Brian, Jr.....	17
SICM Faculty Named.....		19
Federal Economy Plans Studies.....	Colby Dorr Dam.....	20
Credit Congress Industry Programs.....	Carl A. Armstrong.....	22
Credit Congress Visitors Inspect Time Hill.....		26
News About Credit Matters.....		33-37
Special War Reserves.....		38
The Business Thermometer.....		39, 40
<i>Survey of Trends in Manufacturers' and Wholesalers' Activities</i>		

*Cover: Aerial photograph of Cincinnati by Acme, New York.*

Official Publication of the National Association of Credit Men

One Park Avenue, New York, N. Y.

1309 Noble St., Philadelphia, Pa.

Richard G. Tobin  
Editor and Manager

Paul Haase  
Associate Editor

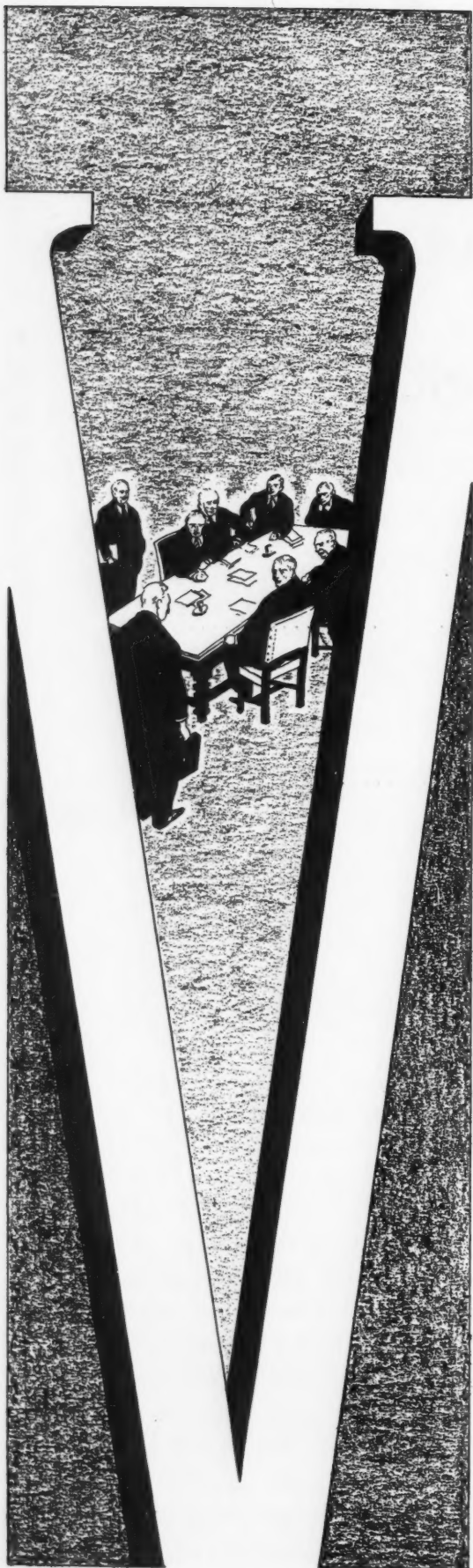
Clifford T. Rogers  
Advertising Manager

ESTABLISHED 1898

VOLUME 44, No. 4

Published on the fifth of each month by the National Association of Credit Men, 1309 Noble Street, Philadelphia, Pennsylvania. Entered as second class matter December 22, 1933, at the Post Office at Philadelphia, Pa., under the Act of March 3, 1879. Subscription price, \$3.00 per year, 25c per copy; Canada, \$3.50; all other countries, \$4.00 postpaid. Copyright, 1942, National Association of Credit Men. The National Association of Credit Men is responsible only for official Association statements and announcements printed herein.





## Credit's War Council



These are times that try the credit executive. Accustomed for years to watch closely the changing trend in the commercial and industrial economic spheres, he is today faced with increasingly acute responsibilities. On the efficiency and the understanding with which he carries his vital role, are based both the present and future prospects of his individual firm, as well as the successful prosecution of the war and ultimate victory.

That today's credit executive is conscious of these developments and his responsibilities is clearly seen in the formal and informal educational work in which he is participating under the sponsorship of his local credit association.

It is little more than a month from this date that some 1,500 to 2,000 credit executives will gather in Cincinnati at the 47th Annual Credit Congress of the NACM.

They will represent some 50 different fields of industry. In joint sessions and in individual group meetings with specialized programs, they will analyze both world and national trends as well as the problems that have arisen in gearing their individual efforts to the machinery of a war economy.

This Cincinnati Credit Congress will be the rallying point for victory on the credit front. It will sound the bugle call for the marshalling of the credit executives' efforts. It will be the credit profession's supreme war council.

Every credit executive owes it to his nation, his firm, and himself to join in these deliberations during the week of May 10 in Cincinnati.

Henry H. Heimann  
Executive Manager, N.A.C.M.





"It is always  
in season for  
men to learn."  
Aeschylus

# Prepare **TODAY** for **CREDIT** opportunities!

■ Designed to aid the nation's credit executives, the Summer Institute of Credit Management—a two weeks' intensive program of professional education—is sponsored by the National Association of Credit Men and conducted jointly with the Babson Institute of Business Administration.

Situated on the rolling, pine-studded slopes of Wellesley Hills, just 12 miles west of Boston, the campus of Babson Institute is a most desirable locale for a combination of summer education and recreation.

**Babson Institute has an enviable reputation in the field of advanced business training.**

The following is the curriculum of courses:

- (1) *Analysis of Financial Statements*
- (2) *Bankruptcy and Reorganizations*
- (3) *Business Economics* (including money, production, distribution, labor, capital management)

- (4) *Business Psychology*
- (5) *Commercial Law* (including contracts and sales)
- (6) *Credit Department Management and Procedures* (including letters, collection processes, banking credit, information sources, relationship of sales and finances and credits)
- (7) *Management Problems and Policies* (including emphasis on corporate finance and distribution)
- (8) *Public Finance* (including the effect of taxes on business)

Typical of the reactions of the 1941 students is this unsolicited endorsement by J. Stanley Thomas, Credit Men's Ass'n of Eastern Pa., Philadelphia, Pa.: "*The Summer Institute of Credit is history and it attained the heights of success, I feel, beyond the fondest hopes . . . I did not hear the semblance of a complaint from any of those in attendance and the keynote of the remarks on closing day was, 'I am sorry it is over.' . . . You are going to have a hard time to accommodate those who will desire to take the work next year . . . Congratulations for this important new chapter in the annals of the Association.*"

■ For further information as to registration, curriculum, living arrangements, costs, recreational facilities, we recommend early return of the coupon below.

Director, Summer Institute of Credit Management  
Room 1010, One Park Avenue, New York.  
Please send me full information about the Summer Institute of Credit Management which is to be held at Babson Park, Mass., July 26—August 8, 1942.

Name .....  
Firm .....  
Address .....  
City ..... State ..... (442)

**The SUMMER  
INSTITUTE of  
Credit Management**

★

*July 26 to August 8, 1942*



# Cutting Clerical Costs — Part 1

## *Surveying for Simplification*

**THE** many drains of war time economy are putting heavy burdens upon office management.

Paper work is mounting. Men are leaving for service or leaving to take more lucrative positions in production work. Taxes are eating insidiously into profits. In this play and counter-play of unusual forces, it is incumbent upon each management to survey its office activities in order:

1. To eliminate unnecessary work, equipment or supplies.
2. To improve the effectiveness of work, equipment and supplies which are essential.

A basis of fact must be established before determinations as to necessity or utilization can be made. It is not necessary, nor even desirable that the entire survey be completed before some improvements are undertaken; when pay dirt is uncovered the nuggets should be picked up. What is required is to lay out an original plan of survey which, when carried out, will have covered all office departments and all office phases of other departments. These phases can be considered under the following six headings:

1. Organization
2. Personnel
3. Methods
4. Equipment
5. Records
6. Supplies

These six phases will be discussed in this series of three articles, but not exactly in the order given above. This first article will consider organization, equipment, supplies and the effect of layout on methods. The second article of this series will cover methods, simplifications including records, and the third article in the series will discuss the all important topic of personnel.

### **Organization**

**T**HE office, in the sense here used, means the clerical function of the organization — not merely those

By **EUGENE J. BENGÉ**

*Authority on Office Management, Chicago*

clerks who report directly to the office manager—not merely the desks, files and accounting machines, which are part of the office. To be adequate, an office survey should include the clerks and clerical activities found in shop departments, and in sales, advertising, production and purchasing. This statement does not imply that those clerks need report to the office manager.

An organization chart of office personnel should include all clerical units and should indicate their lines of responsibility. Sometimes it is desirable to make a functional chart also which shows the persons engaged in various important functions regardless of the departmental lines of authority. Thus there might be those participating in the function of costing or of purchasing or of accounts receivable or of traffic, etc. Both organization and functional charts should be studied for:

1. Their adequacy to serve organization needs of the immediate future.
2. Their likelihood of causing, or of preventing, conflicts of authority.
3. Duplication or other indications toward simplification.

Correlative should be the determination whether authority is commensurate with responsibility. Where authority is insufficient it may mean that the job incumbent lacks the force of character needed to assume the authority requisite for proper performance; on the other hand, it may also mean definite unwillingness on the part of his superior to let go the reins of authority. One of the best ways to bring such situations to light is merely to ask the employee or the supervisor involved whether there are any instances where he feels his authority to be insufficient for the responsibility — and what move he thinks would be needed to correct this situation.

The survey should proceed systematically. This implies that it should be comprehensive in its plan and scheduled as to execution. Otherwise, it may break down on the road of good intentions.

### **Equipment**

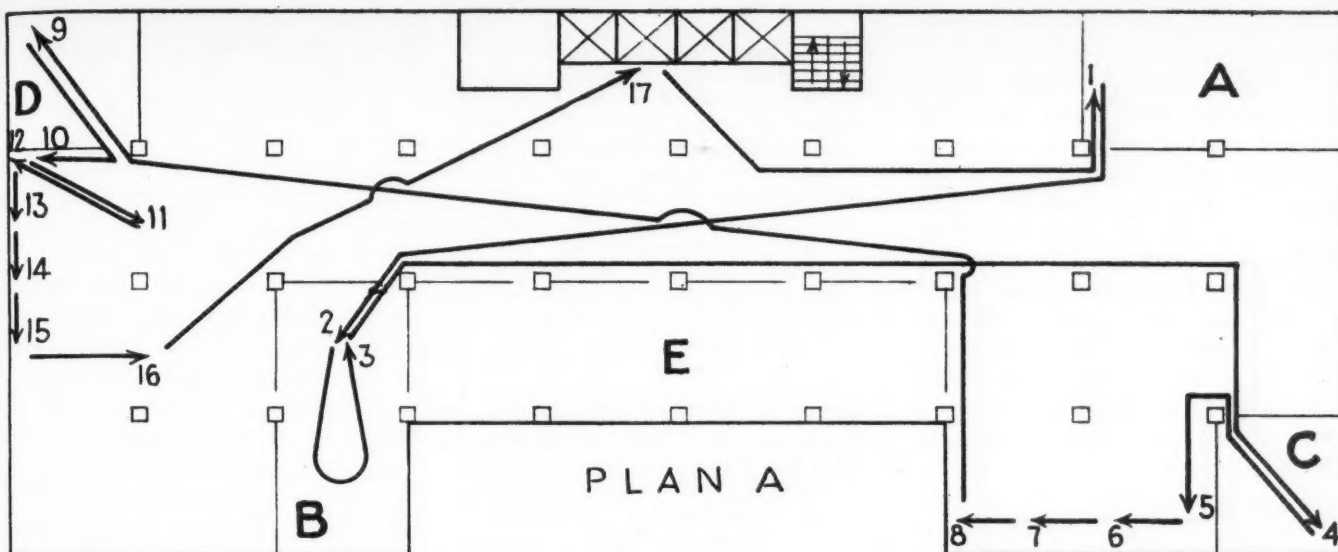
**A**N itemization of the equipment available for each unit of the office will normally suffice for the survey, because the utility of each piece of equipment is usually well known to those using the survey findings. A classification which I have found very convenient is:

1. *Transportation* — elevators; dumb waiters; conveyors; pneumatic tubes.
2. *Communication*—interdepartmental telephones; teletype; tel-autograph; speaking tubes; dictograph; loud speaker system; annunciator.
3. *Furniture* — desks; tables; chairs; filing; storage; safekeeping.
4. *Machines* — computing; billing; bookkeeping; sorting; typing; dictating; mailing; addressing; duplicating; etc.
5. *Miscellaneous* — fire prevention; drinking water; lockers; first aid, etc.

If it is contemplated that a layout will be made, or if new quarters are to be found, it becomes necessary to record the floor space dimensions of each piece of equipment; also to indicate those pieces of equipment which require electricity for their operation. We shall say more about this below.

At a later point in the survey it may become necessary to study existing methods, or contemplated changes in those methods, in the light of present equipment. The possibilities for purchase of new equipment are limited these days and the prospect is that this trend will continue for a long time to come. Hence, full utilization of present equipment is likely to prove more feasible than substituting other equipment for it.





(Charts reprinted from "Cutting Clerical Costs," by E. J. Benge, Courtesy McGraw-Hill Book Co., New York.)

Present stringencies, however, should not prevent notations as to better methods which can be put into effect in the future when office equipment once more will be available in abundance.

#### Layout and the Flow of Work

**L**AYOUT refers to the physical arrangement of equipment and its relation to the physical features provided by the building space. Layout generally determines the flow of work; that is, the layout is decided upon, and certain "flows" of work are thereby necessitated. The exact opposite of this situation should apply; in large degree the desired flow of work should determine the layout.

A flow of work results from the application of clerical effort, at different work centers, upon a given record, report or other office output. If all clerical effort upon a record is performed at one desk it has no flow of work. Hence, we can say that the flow of work of a given record represents the total physical movement in its normal production cycle.

Obviously there are many "flows." In considering the relationship between flow of work and layout it is necessary to consider only the large volume work cycles — orders, purchases, billing, accounts payable, etc. If work is minutely subdivided to get the advantage of specialized clerical effort from many individuals, the length of the production cycle will normally be increased because of the added time and distance.

Other factors which bear upon the flow of work are the necessity for frequent personal contact among em-

ployees and the need for intimate supervision. Not unusually various flows of work will conflict and it becomes necessary to make a choice as to which one will receive preference in designing a new layout.

#### Space

**G**ENERALLY the space available for office use imposes limitations upon layout and flow of work. Space can readily be considered from these four viewpoints:

1. Quality
2. Quantity
3. Location
4. Cost

*Quality* refers to illumination; ceiling heights; heating; ventilation; floor covering; obstructions, such as fixed partitions, columns and stair wells; elevators; distractions, etc.

*Quantity* refers primarily to the *net* space available for clerical use, after dead or useless space has been deducted from gross space.

*Location* usually refers to the number of floors on which space is found. It may, however, refer to space in two or more buildings, or in two or more cities, or in city versus suburban choices, etc. The comparative merits of vertical or horizontal space may be an important problem for certain organizations, i. e., should they lease 3 floors of 10,000 square feet each, or 6 floors of 5,000 square feet each?

*Cost.* Office space is normally rented at a figure (as \$2.00 per square foot per annum). The prospective tenant should ascertain in advance whether the rate quoted him represents gross or net area. Where the company

owns the building, the cost of office space becomes a matter of cost accounting.

#### Flow of Work

**I**N deciding upon a desirable flow of work, at least the following three objectives should be borne in mind:

1. The movement of papers or people involved in the flow of work should be reduced to the shortest compass feasible.
2. The work should progress through its production cycle with a minimum of back tracking or other deviation.
3. Its flow should conform to a straight line, a circle, an L, a U, or to some other regular shape when it is plotted on a flow plan.

If the work flows from one floor to another, the vertical relationships of floor locations must also be taken into account.

#### Layout Technique

**I**N planning a layout, it is not *essential* that the result be orderly and symmetrical, although it is usually possible to achieve these in considerable degree. Remember that the flow of work should determine the layout. If the flow dictates that two desks should come together to form an "L" such a layout should be adopted, despite the poor appearance which results. Productivity is more important than appearance.

Before allocating new office space to departments, a check of each department should be made to insure that it needs all the space it now has. Sometimes little used tables, storage



devices, etc., can be discarded so that less space will be needed. Or, it may be that conditions have been so crowded that more space must be assigned in new quarters.

If fewer than 50 employees are to be moved, the desk layout can safely be done by use of cardboard templates, cut to scale, and pinned upon a floor plan drawn to the same scale. If more than 50 employees are involved, it generally pays to have the floor plan drawn upon tracing paper, and then lightly draw in proposed layouts until a satisfactory one is found.

Avoid these common pitfalls:

1. Recreating, in new space, the old layout.
2. Allowing insufficient, or too much room for expansion.
3. Crowding desks; forgetting auxiliary equipment, like dictating machines; making aisles too narrow.
4. Failing to check floor plans against the physical space.
5. Assigning choice space to executives for offices; allowing too many offices.
6. Having desks facing glaring windows or lights.
7. Failing to consider the flow of work in relating desks or departments.

The illustration which accompanies shows the flow of work resulting from a comprehensive survey followed by a revision of layout. Plan A, as revealed by analysis, had a flow of work of 730 feet. Plan B, as revised, had a flow of work of 312 feet. These figures are merely in-

The author of this article, the first of a series of three which we are publishing in consecutive issues, is a well known Chicago Industrial and Management Engineer. He is the author of a recent book "Office Economies" and is known to a number of our readers who attended the 1941 Summer Institute of Credit Management of the National Association of Credit Men as the instructor in the course "Business Psychology." Because of the thorough interest in last year's sessions, the course is being repeated at this year's Summer Institute of Credit Management, July 26-August 8, and Mr. Bengé has accepted the invitation to repeat his lectures.

dices of much greater improvements which made them possible.

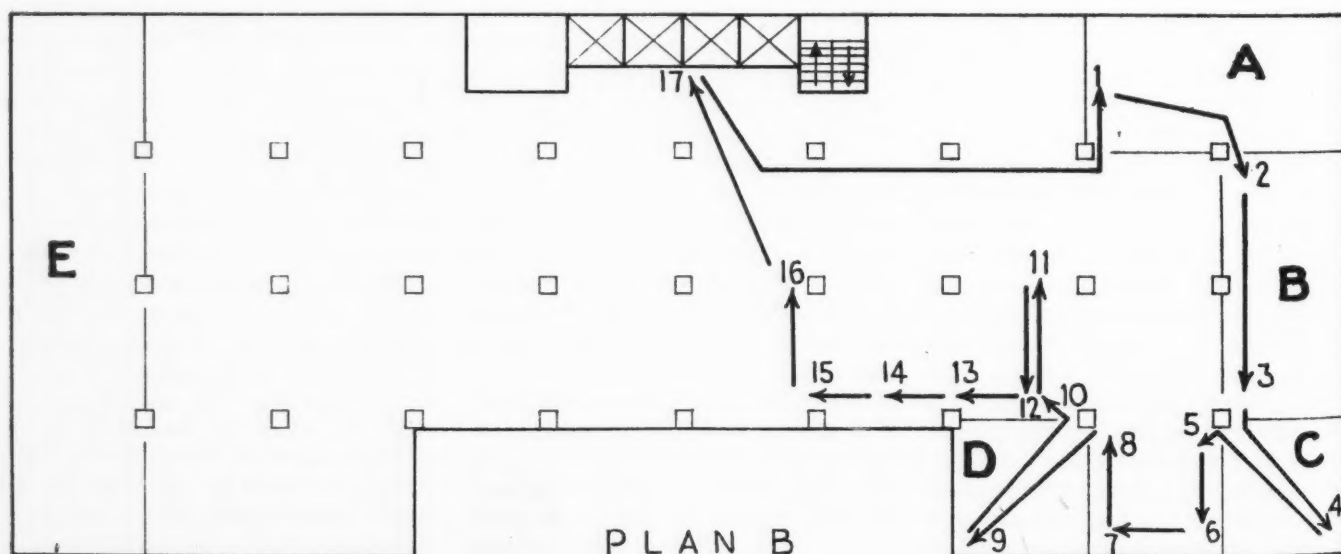
#### Preliminary Survey Desirable

IT is possible for the survey to become unwieldy, if management awaits its completion before taking action. In large offices (say, having more than 50 clerical employees) a preliminary "once over" is desirable in order to determine what parts should receive intensive study. In doing this, rough sketches substitute temporarily for detailed layouts; payroll lists for job analyses; diagrams for flow of work charts. Data are obtained as to increases in personnel and clerical volume; also as to labor turnover, age, sex, experience and length of service of employees; approximate age and de-

preciated value of important machines and equipment; collection of the principal forms.

As the survey unfolds it becomes necessary further to particularize these generalized observations. For example, the rough sketches are transmuted into finished products and detailed studies are made with them. The payroll lists are further subdivided to show the abilities of the employees and their qualifications for other activities or for re-combinations of duties. Work cycle analyses show step by step how work flows through various cycles. Comparative studies are made of various pieces of equipment already in the possession of a company in contrast with others which might be procured. These and similar studies will be outlined in the two articles which follow in this series.

It is necessary to organize for the survey. A survey doesn't just happen because some executive so decrees. It must be decided who will undertake the survey, what his authorities will be, whether he will have a committee to assist him, whether he will be assigned free time for the work, what scope shall be covered and what time limits shall be set. It is desirable that all executives of the company and preferably all employees also understand what the survey is to cover and what its objects are. These things will pave the way for the proper conduct of the survey. Properly conducted, a comprehensive office survey offers the opportunity for any company to reshuffle its office deck to win the current game.





# Credit Lessons of the Last War

## *A Banker Reflects on Some of the 1914-18 Problems*

**C**F The subject assigned to me carries us back to 1914, at a time when Europe was involved in a great conflict, later known as the World War.

The people of the United States were entertaining the thought that they were so far removed from the theatre of war that there was no possibility of the western hemisphere becoming involved in the conflict with the European countries.

The only interest the people of the United States had in that war at first was to take advantage of the enormous markets created for the immense stores of our raw materials.

We sold to all of the countries of Europe until they had exhausted their gold reserves, and we then began to loan them gold with which to purchase more and greater quantities of war supplies.

This began to involve the United States in a debt which is still unpaid. In order to secure funds to loan to these European countries it was necessary for the United States government to sell bonds, then known as Liberty Bonds, payable in gold of a certain standard and fineness, which soon had our government involved in a debt far in excess of all the gold reserves.

The enormous new markets, suddenly created, stimulated a demand for our raw materials and our manufactured products. Prices began to rise to unheard of peaks, cost of living soared, labor strikes were numerous, wages advanced to peaks never before dreamed of, and the working people were lavishly spending their increased earnings for things they had always wanted and were never before able to buy. Silk shirts at \$12.00 each were purchased by day laborers, fur wraps were purchased by their wives and children at enormous prices.

I am reminded of a story that was told by a floor-walker at the Marshall Field department store about an old foreign lady who came into their fur department and handled the furs until the clerks in the department be-

By J. W. Edenburn

*Bankers Trust Co., Des Moines, Ia.*



came suspicious of her and notified the house detective. After spending considerable time and receiving no attention, she went to one of the sales ladies in the department and asked to be shown a large mink cape, which she had been admiring. When she was told that the cape was worth \$800, she said she wished to purchase it and proceeded to extract a large roll of bills from her stocking to pay for the cape. This is only one example of many such things which happened to create enormous demands for consumer goods.

Farm commodities advanced to all-time highs.

Wheat advanced to \$2.50 per bushel.

Corn advanced to \$1.50 per bushel.

Other farm commodities advanced accordingly.

### Great Demand for Goods

**A**LL this created enormous demands for consumer goods, and the merchants found it difficult to secure the merchandise to fill the demands.

The railroads were already overtaxed in moving war materials to the points of export and to the factories for manufacture.

Many industries sent special traffic men to locate and follow cars of ma-

terial to the factories and jobbing houses.

Jobbers sent traffic men to the factories to accompany cars of merchandise to their jobbing plants and warehouses.

This was all done to prevent these cars of merchandise from becoming side-tracked in the railroad yards and left there to clear the right-of-way for more urgent materials.

This led manufacturers and jobbers to place orders for merchandise far in excess of their immediate requirements, hoping to receive out of all the orders, a sufficient amount of material to keep their plants running and to deliver merchandise to their customers.

Jobbers sent their purchasing agents to the factories and markets to buy merchandise. This, in many cases, later resulted in a disaster, for purchasing agents would place orders with factories and wholesalers on a salesman's order blank and would neglect to furnish their own house with copies of the orders, making it impossible for their own firms to know the exact amount of merchandise they had on order and thereby losing all control of the orders.

### U-Boats Active

**T**HE British blockade was beginning to have a telling effect on Germany, and in order to counteract the flow of supplies to England and France, she resorted to her U-boat activities and sank many merchant ships, often American ships. This invariably brought an apology from the German government—the Kaiser was not as modern as Hitler—and we accepted the apologies and continued along the same old lines only to have the operation repeated.

On May 7, 1915, the Lusitania, a large British passenger liner, was torpedoed and sunk off the coast of Ireland, with many prominent American and British citizens on board. The loss of life in this disaster was in excess of 1,100 persons.

Many other sinkings of supply



ships took place, as well as violations of international law all of which we tolerated for almost two years before we actually became engaged in the conflict.

Woodrow Wilson, then President of the United States, called Congress and the House of Representatives in joint session on April 2, 1917, and asked for a declaration of war against Germany. The joint session promptly acquiesced and the great war was squarely in our laps.

Britain, Italy and France were then our allies and the excitement started.

We were no better prepared to enter into a war then than we were on Sunday, December 7, 1941, when the blackest and most criminal outrage of all time took place at Pearl Harbor.

We launched headlong into the most unsystematic, extravagant, and wasteful experiment that had ever been known to man up to that time, with experience at a premium.

A man by the name of Ryan, a good politician, was placed in charge of airplane construction, and an appropriation of \$500,000,000 was placed at his disposal, which he proceeded to disburse without putting a single airplane in the air.

The government began building cantonments throughout the country, many of which still stand idle and unoccupied, as monuments to the last World War.

McAdoo, a son-in-law of Woodrow Wilson and a prominent politician in Congress, was placed in charge of the railroads. He knew as much about railroads as the Japs know about principle. He proceeded to put them in such condition they had to be subsidized and rehabilitated with government funds after the war. It is doubtful whether they have yet fully recovered.

#### Few Modern Developments

AT the time of our entry into the war there had been little development in modern warfare:

The airplane was little more than a plaything.

Radio was in its infancy.

Tanks were unknown.

The dirigible was undeveloped.

Automatic firearms, aside from the machine gun, were undeveloped.

Truck transportation was limited.

Paved highways were a novelty.

The task of manufacturing war ma-

terials and supplies was left largely to private industry.

All eligible man power between the ages of eighteen and thirty was immediately registered. Later the age limit was raised to forty-five. Men were classified and called to arms as rapidly as they could be furnished with supplies and absorbed into the army and navy.

We mobilized 4,355,000 men, with approximately 2,000,000 in the A. E. F. Of these 125,000 were killed or died of disease, 234,000 were wounded and 4,500 were taken prisoners.

This was all done between April 2, 1917, and November 11, 1918, when the war ended.

In many respects the reaction of the people was the same as we have experienced in recent months.

We had isolationists, war mongers, enthusiasts, and a smattering of sound-minded and level-headed men.

We had already created a considerable debt, the proceeds of which had been loaned to European countries and which had been spent in this country for war materials and supplies.

#### Income Tax Was New

NOW we were confronted with the task of financing ourselves to preparedness and the successful prosecution of a war. This was done along the same lines that are being followed in the present conflict with the exception of the income tax, which was still new. The politicians had not yet learned the art of digging so deeply into private pocket-books and had not had time to complicate the tax laws to point where it requires a retinue of attorneys, tax experts, and accountants to prepare a wage earner's tax return.

Bonds, then known as Liberty bonds, were sold largely by allotment through local communities. Again the politicians had not learned the art of advertising by radio, or the radio was not sufficiently developed. But the job was quite well accomplished through allotments and local gatherings. Here again I am reminded of a statement, made by a prominent speaker at a public rally, when he said: "We'll build a bridge of gold across the Atlantic Ocean and march our soldiers to Europe." Statements of this kind are typical of the rabble-rouser trying to gain favor with the public.

That particular man happened to be one of the worst isolationists we had before war was declared. He was a trustee for a German estate located in this country and the front door of his home was later on painted yellow, because he refused to invest any of the estate's assets in Liberty bonds.

#### Rations and Taxes

WHEN we became actively engaged in the European conflict, restrictions were placed upon the use of certain raw materials for private consumption, certain food products were rationed such as sugar and coffee, many people were called to account for hoarding sugar, and in many cases where large supplies had been stored these were taken away from the owners.

There was much criticism of war time millionaires and there was talk of conscription of wealth and property, as well as man power. But no action was taken to curtail profiteering on the accumulation and amassing of big fortunes.

Taxes were placed on so called excess profits. They were mild as compared to our present tax laws. The entire tax, both normal and excess, was not as severe as the normal tax now levied against corporation incomes.

We interned enemy aliens, had what we called an alien property law. A custodian was appointed to take and hold all confiscated alien property.

At the conclusion of the war we had accumulated a federal debt of approximately \$26,000,000,000 — all direct federal debt, I believe, since our government had not yet learned the art of dividing the alphabet and creating contingent liability.

On November 11, 1918, the Armistice was signed. I believe every American who had reached the age of six or seven years can remember the celebration that took place.

Well, the party was over and it was now time to settle down to sober thought and take stock of what had been happening during the last four years.

Industry must now get back to normal. The stimulant had spent itself but we were not yet aware of what was in store for us.

In taking inventory, we found that many concerns had drifted into



lines entirely foreign to their particular line of industry in an endeavor to find places to invest and further expand large profits. They had stocks of merchandise, acquired at high prices. They had orders with the factories and supply sources which they had forgotten about or which the management never knew about. While they were busily engaged in trying to adjust themselves to the tailspin in prices and to adjust their stocks of merchandise to normal business, the factories with which they had placed orders during the war, took advantage of the opportunity to put their plants back into consumer goods production.

The distributors soon found themselves with additional high-priced merchandise which they were forced to accept and to try to dispose of.

The industries with which they had placed those orders had not forgotten them nor had they lost them and with all government restrictions off they immediately began to fill the orders. By the time the distributors got their feet on the ground, many of the delayed and forgotten orders had been filled.

#### Land Prices Advanced

FARM lands had advanced to new highs during the high prices of farm commodities. Many farmers had obligated themselves with mortgages on high priced land. In many cases the mortgages were far in excess of the actual value of the land which they encumbered, and, as farm prices began to tailspin, the farmers found themselves in dire circumstances. They were not even able to meet the interest payments on the mortgages, and wholesale foreclosures resulted.

Many farmers who were in independent circumstances prior to the war and owned good farms clear of all encumbrances had acquired additional land at peak prices and encumbered their clear land to make the down payments on the new land acquired. This resulted in foreclosure on their entire tract, leaving many of them destitute.

People who had purchased Liberty bonds during the war began to find it necessary to raise cash. Many of these people used their credit at the banks and had given notes with the bonds as collateral with the understanding that the interest on the bonds would pay the interest on their notes.

At the end of the first six months period when their notes came due, they found the banker had a change of heart. If they wanted to renew the note and extend the time of payment, the interest rate would be increased to six percentum, which encouraged many people to sell their bonds and pay off their notes.

Other buyers of small denomination bonds needed money to pay their current bills. They began to offer their bonds for sale and soon found that even an investment in United States Government securities was not worth what they had paid for it. With the markets flooded and prices declining rapidly, many sizable blocks were sold as low as eighty-five. Small denominations offered in settlement of accounts were worth what you could get for them. This class of security eventually drifted out of the hands of the small investor and government bond prices began to stabilize.

#### Headaches of the Credit Man

RECEIVABLES had mounted and accumulated to enormous proportions and the credit man's headache was now started. Sales managers were pressing their salesmen to unload overstocks of high-priced merchandise in an unstable market. Orders poured over the credit man's desk from customers whose credit was already overextended. To turn down these orders meant failure to dispose of merchandise which the management was very anxious to get rid of. To accept many of them meant increasing an account which was already doubtful. Through his desire to cooperate with the management, chances were taken and overextensions were granted which resulted in an increased percentage of losses and advanced collection costs.

Those who had become overextended and badly involved began to fold up and the blockhouse started to tumble. Many good stable concerns were forced out of business because of the failure of their contacts. Every business was grasping for something to save themselves and greed and selfishness multiplied.

A story was frequently told of the president of one of our large motor manufacturing concerns who found his firm sorely in need of additional working capital. He went to New York to borrow the working capital.

The toll exacted of him by the New York financial centers was so great that he returned to his factory, loaded many carloads of old model cars, shipped them to his dealers with sight draft bill-of-lading attached. In addition he unloaded a large block of Liberty bonds, which he had acquired during the war, and in this way secured the necessary working capital.

This may not have been out of line, but before the dealers were able to absorb the cars which had been forced upon them, this manufacturer put a new model car on the market at a reduced price thus forcing his dealers to absorb the loss in price of the old models in place of absorbing it himself. This move was disastrous to many of his dealers.

The remark was frequently made that this manufacturer was the only man on earth who had the nerve to tell Wall Street to go to hell and make them like it.

Our captains of industry and finance now began to see the necessity of taking some action to stop a critical situation which seemed to be developing. They decided that installment buying was the answer to that problem.

#### Installment Selling Begins

PRIOR to this time, no man could own an automobile unless he had the cash to pay for it or was financially sound enough to borrow the money without regarding the automobile as collateral. The banks and finance companies did not look upon the automobile as good collateral. Most of them entertained the idea that no man had any business buying as flimsy and as unnecessary a thing on credit. But there was a lucrative field and there were unlimited possibilities in the industry if some way could be devised to make it possible for the public to buy the product.

The automobile finance company was conceived and born.

The big motor industry was its sire.

The first of these companies was the General Motors Finance Company, which was conceived, developed, financed, and directed by the General Motors Corporation.

The bars were now down and every man could own an automobile and pay as he drove. Business was immediately stimulated.

Employment increased.



Factories were enlarged.

The more automobiles that were put on the road the more garages and mechanics were required to keep them serviced and to further stimulate the sale of more cars. This, in turn, brought advocacy of and even demand for, paved roads and highways to accommodate all this additional transportation. Accessory and parts factories sprang up like mushrooms. Dealer and supply companies were formed. The great system of installment buying gained momentum.

To build the roads required hundreds of millions in bond issues, all of which increased the state debt and could be classed as a form of installment buying. The bonds had to be maintained out of automobile license fees, payable annually, and later out of gasoline tax paid every time you had your gas tank filled.

It was not uncommon for a county to float a \$1,000,000.00 bond issue bearing six percentum interest. As time went on, the Federal government took a hand and assisted the states and counties to build roads out of Federal funds.

It was now about 1925 and in a period of about seven years since installment buying was conceived this form of buying had spread to almost every field of industry.

The point of absorption was beginning to be apparent. The enormous momentum was slowing down. Something must be done to keep up the standard of living, and, if possible, to increase it. In the bag of tricks the stock promoters found an answer. The public must make sound investments. They would apply the installment buying system to stocks and bonds. This started a stock boom, prices began to soar, and the poor gullible public bit like hungry fish.

#### Investing Without Cash

**T**HIS to the mind of the thinking man was the wildest scheme yet developed and it even had our nationally known economists fooled. They could not agree on the possibilities of this wild scheme.

How could a man invest that which he did not have?

Could a man make an investment when he had nothing to invest?

The entire scheme of investments and methods of investing were revolutionized.

We had now embarked upon an

## THE FUNCTION OF CREDIT IN A NATION AT WAR!

**Credit played an important role in building the American way of life, in raising our standards of living to the highest in the world.**

**Today credit is waging a mighty battle to protect that which it helped create.**

**Credit forges tools and erects plants.**

**Credit purchases raw materials and speeds the finished delivery.**

**Credit is the silent partner alike of the contractor and sub-contractor.**

**Credit is mobile, strong, and far reaching.**

*—Extract from an announcement by Commercial Investment Trust Corporation, New York.*

educational system of gambling and speculating. The public made apt pupils. This business flourished until late in 1929 when the pupils graduated and suddenly became wiser than their teachers and many years of tireless savings and effort were wasted in a few short hours. We found ourselves in as bad, if not worse, a position that we were in when the war ended in 1918.

When stock prices had skyrocketed to unprecedented heights, the large investors in the stocks of their own companies decided that it was a good time to get out from under and let the public play with them. They gradually sold their holdings in proportions small enough to prevent creating any suspicion or causing any drastic break in the markets. Early in 1929 it is doubtful whether or not you could have found a board of directors, in any large concern, which held sufficient stock in their own companies to legally qualify as directors.

Few people who were buying stocks were investing for a long pull or for the earnings the investments would produce. They had not given this a thought. The only thing they could see was the daily advance in the markets. In late 1929 this advance in market rise slowed down and in some cases began to decline, giving the gamblers a chance for a little sober thought. They began to realize their margins would not carry them very far. They began to unload their margins and this touched off the powder keg and the whole scheme blew up.

The wise investor sat back and waited for the proper opportunity and when he decided the market was low enough, he began to buy back his stocks at a fraction of what he had

sold them for. He wound up with his stocks and the public's money in addition.

The people had received another jolt. The confidence and morale of the public was shaken to the very foundation. Vast numbers of people, who a few days before, were comfortably fixed for life, were now hopelessly insolvent. The captains of industry and finance had evidently gone to sleep on the job and had not prepared for the day when they were expected to spring something new and again pull the country out of the dumps. It seemed they had exhausted all their schemes and there was no way left to lift the public from the depths of depression. Those who survived the crash with a few dollars in the banks began drawing their money out and putting it in strong-boxes and hiding it out of circulation. The only satisfaction they were able to get out of business and finance was that prosperity was just around the corner, but to many the corner was a long way off. In the meantime they began to scheme a little for themselves and finally decided that a political change might be a good thing.

#### Return to First Principles

**B**ANKS had closed in wholesale numbers and business firms of long standing and experience had failed. Just prior to the inauguration of President Roosevelt in 1932, the banks that had weathered the storm to that time, were closed by order of the President, Herbert Hoover, in order to save them.

This covers a period, in a very superficial manner, from 1914 to 1932. Space will not permit of further analyses.



# Use and Occupancy Insurance

*Business Continuity Is Provided in This Coverage*

**C**F The question is: what to do to protect your earnings and continue to make your profits after you have had a fire loss or any other loss contingency. To the insurance buying public and, in fact, to the insurance agent himself, this is probably one of the most difficult types of insurance to unravel accurately and understandingly. It is known as Use and Occupancy insurance. Boiling the plain words down to a clearer meaning, it might be interpreted as insurance to indemnify the possible loss of the building just as if no fire or loss had occurred. It is also known as business interruption insurance. It might better be described as business continuity insurance.

The idea back of this coverage is to place the insurer in exactly the same condition as if no loss had occurred. Stating the same proposition in the terms of the policy itself, it provides reimbursement for earnings lost by suspension or interruption of operations, forced on you by reason of the fire or any other of the perils enumerated in the policy.

To give you more of the scope of the contract, I must enumerate the specific wording that the policy itself contains. This form of coverage is written just like a fire policy and it operates in the assured's interest just as soon as the fire is out. These policies cover:

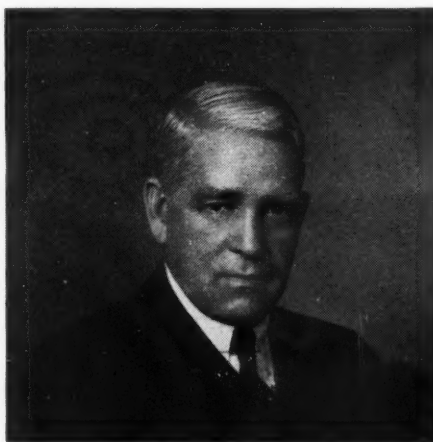
- 1st—The net profits that might have been earned had no fire happened;
- 2nd—Continuing fixed charges during the loss interruption, provided you make enough to pay these fixed charges and expenses.

## Limitations of Coverage

**T**HE following clause might look to you like a joker, but it is a safe fundamental principle. This wording is "to the extent only that charges would have been earned." You probably would understand this

By W. A. EARLS

*Chairman, Insurance Group,  
Cincinnati Association of Credit Men*



better if we were to term this item "earned fixed charges." In simple words, it means that if you do not make enough to pay the fixed charges and expenses, you are just out of luck.

The title of the words "Use and Occupancy" might be resolved into a formula by saying that unless you earn enough to pay your operating expenses and have a little more for a profit, there is no need to buy Use and Occupancy insurance.

If you are hopelessly in the red, and run this way year after year, consuming your capital and surplus, staying in business waiting for a good year and paying your overhead out of capital and surplus, you are adding expense, that might be saved, by purchasing this kind of insurance. In other words, Use and Occupancy insurance is not designed to do any more for you than the business itself would do for you if no loss had occurred.

But, if you are successful in making a profit, it will do for you just what the business itself would have done had no loss happened. So you can readily appreciate that the profit made is the pivot on which all this hinges. This policy will pay you the actual loss sustained on that portion

of the loss you have insured. The essence of the intent back of the contract in this respect is that a concern might be unable to make a net profit, but it might make enough to pay a part of the fixed charges. Therefore, any part of the fixed charges earned would then be considered a loss sustained under a Use and Occupancy policy.

## Special Blanks for Purpose

**T**HE insurance company furnishes you with a formula for working out the coverage. It takes an accountant as a rule to solve this problem, particularly if you are on the border line. Your Use and Occupancy coverage should be definitely figured out and your auditor or credit man is the person to do it. The insurance company furnishes these blanks to you so that you may figure out your problem and save you the inconvenience of unfolding your affairs to some one that you may not want to know the conditions behind your business.

The third division of the Use and Occupancy form is an item that is very frequently overlooked by both the buyer and the seller. This is the protection to you in the matter of holding together your force of plant workers. You all know how difficult it is to re-assemble an organization to do the job as successfully as it was done before the fire loss.

You can well appreciate that the men who are laid off will find other avenues of employment and it is most difficult to get them back. So, in case of loss, your plant must necessarily shut down and you lay off these everyday hired hands. What do they do? Some get other jobs,—some do not. Many make application for unemployment insurance. In such cases, the amount paid to these men by reason of unemployment is charged to their former employer and your record is charged accordingly and in the end, you pay.



Therefore, it is desirable and advisable that you insure this common labor item, because then you can continue to keep these men on your payroll, keep your organization intact, until you resume normal operations.

You can provide for 90 days of payroll expense or a 181 day payroll. The amount doesn't run large and the premium is not prohibitive. The payment of a salary when men are off will promote definite loyalty and they are bound to think you are a real Santa Claus for so doing.

### U and O Especially Valuable Now

ON account of war conditions and priorities, Use and Occupancy Insurance is more essential now than it has been since the last war. Up to a year or so ago, most any of the big contractors stood ready to start a new structure for you and would have it ready in six months. Now you can't find a big contractor; he's got a job. The contractor cannot find the labor and cannot get priorities for certain essential materials that go to make up the structure. So it will take from one to three years now to rebuild a building that formerly took a year. Now that would be all right if you had nothing to do but build the building, but you must find the equipment to produce your product. If you bought your machinery in Germany or England, you are just out of luck. Certain types of tools that might be necessary can no longer be procured.

Space does not permit of more than a brief description of losses illustrating these possibilities.

I read in the Journal of Commerce

recently that an 83% Use and Occupancy loss happened with a corresponding 57% fire loss in a New York mill chargeable to the sacrifices of fire prevention and protection to secure maximum production.

A \$200,000 Use and Occupancy loss resulted because two special and essential machines each costing less than \$7,500 were wrecked by a fire in a Michigan factory. This loss would have been a million dollars but for the fact that duplicate machines were secured in other cities.

A loss happened in Pennsylvania that was seven times the property loss because expert labor was not available to reharness lace looms injured in a fire.

An Illinois Use and Occupancy loss was more than double the property loss because the assured failed to have duplicate essential fittings to replace German made machinery.

### Co-Insurance Features

I WILL not go into the various types of policies that may be written employing the use of co-insurance. On sprinkled plants, we have been recommending the form known as an Agreed Amount Form. That is an amount in lieu of a percentage co-insurance; the rate as a rule runs higher.

Another item of marked importance is Extra Expense Insurance. It started out as a protection to newspapers who by reason of a fire couldn't get their papers out in their own plant but had the facilities of a competitor and of course it was done at an extra expense and the companies made this type of insurance available to them to take care of this contingency. This now has been extended to other lines.

Former friendly operators of near by plants were willing to accommodate a competitor in order to supply his customers. This type of cooperation and assistance is more or less likely to be denied in the future because it involves items of depreciation, danger of injury to the equipment where priorities may involve the owner in defeating his own operations by reason of a friendly gesture. However, Use and Occupancy insurance is to be preferred to Extra Expense.

### Coverage on Raw Stock

I WANT to touch on the coverage of raw stock. These are the materials and supplies as they are received from the producers. Raw stock coverage is limited to that period of time when the destroyed raw stock would have made operations possible, not exceeding thirty (no limitations in some western states) days unless additional coverages might have been provided. This might cause some confusion because Use and Occupancy Insurance is generally considered to be coverage for the time required to replace the property destroyed, and it is only reasonable to assume there might be some misunderstanding as to the length of time required to replace the raw stock. If it took twelve months to replace the building, you would have an additional thirty days or one month to replace the stock—that would give you thirteen months.

The insurance companies are scrutinizing Use and Occupancy applications more closely than they formerly did because they realize the time element of a loss is so much greater than it formerly was, that the pay-

(Continued on page 24)

### News of a Fire in Your Plant Brings You Face to Face with Many Problems





# Thirty-Six Notes Replaced by One

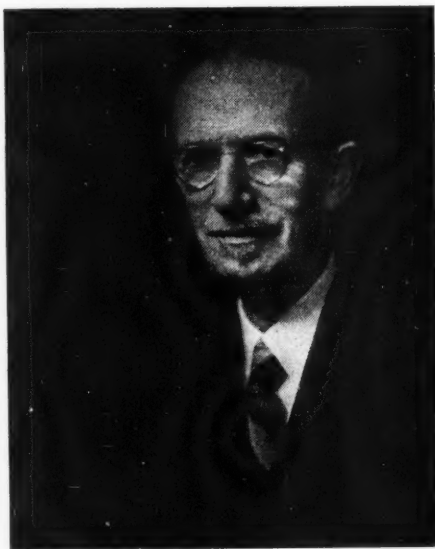
*Detail Cut to the Bone—with Losses Nil*

**C**F The principal product of our company is power-operated pressing machines sold chiefly to commercial laundries, hotels, institutions, and to a wide variety of manufacturers of other products. Our sales are personally handled under the direction of three active officers of the company, with about 90% of our business originating in 65% of our sales territory, which sales pass through our Syracuse Office for credit approval and from which all collections are handled.

A small percentage of our sales are made through jobbers in definitely restricted territories, jobbers who maintain their own sales, service and financial organization; and in these cases we have no concern with the individual buyer's credit. Naturally, we use great care in selecting such distributors. These factors tend to keep our distributors alert and energetic, which is their assurance of continuation of their distributing our product. After we have established credit of the distributor, we of course require not only that he meet our terms of sale promptly but from time to time we check his credit standing and through one of our executives frequently visit him to the end that he have the fullest factory cooperation and that we be up to date with conditions prevailing in such territory. We operate in Canada through a wholly owned Canadian corporation, and through another wholly owned corporation throughout the balance of the world. Credits of all customers or prospects outside of the United States are naturally most carefully checked.

In our business, character has a very close relation to credit. That is why, in addition to the usual reports from commercial credit rating agencies, we use an additional special reporting service for checking on character—services that function for insurance companies investigating individuals generally give us the in-

By **GEORGE T. SIMPSON,**  
*Credit Manager, The Prosperity Company,  
Inc., Syracuse, New York*



formation we want in the matter of character of the individual seeking credit.

Although we have standard terms as to prices and discounts for cash buyers, a considerable volume of our business is on a deferred payment basis, and to such of those who have over the years developed a going business with a favorable payment record, our deferred payment terms are made on a basis of the financial condition of the customer at the time of sale. However, when we are asked to consider deferred payment credit to a new individual or company with whom we have not had experience, the terms that we would require naturally would be less favorable than to the established customer, involving larger initial payments and shorter terms.

## Experience Important Factor

**I**N every instance, we base our estimate of worth of a new contract, specifically in an entirely new enterprise, more on the experience of

the individual and his past history than on his financial statement, as such.

Our experience has proved that a man with a successful record as an executive or manager of a similar enterprise who has had foresight enough to save the money with which to start his own business will ordinarily be a success.

The butcher, the baker, the candlestick maker, the fellow who thinks that he would be a success in a service business, who is always looking over the fence at greener pastures, is seldom a worthwhile risk, even though he may have a sizeable bank account—obviously, we prefer to let the other fellow become his partner.

We give careful consideration to three factors, the man's past experience and knowledge of the business that he proposes to engage in, which in our case is the commercial laundry business (our principal source of new customers), the competitive conditions in the community in which he proposes to locate, for naturally over the years we know that there are localities in which the most able individual would have a slim chance of success—the type of service that he proposes to sell. In this connection, potential sales possibilities of laundry service varies in accord with the character of the inhabitants of various cities or communities.

If we consider these factors favorable, if enough capital seems available to meet reasonable requirements, sufficient to guarantee that the individual or company could carry on through a period of organization, installation and preliminary operation to the point where the volume was showing profits, factors which we can estimate with a fair degree of accuracy through our long acquaintance with this problem, it is only then that we approve credit on the deferred payment basis.

It will no doubt be inferred from the preceding paragraphs that we



would feel more secure by extending credit to a man of character with experience and a limited amount of cash than to the butcher, the baker, etc., who apparently has plenty of cash but only an idea.

#### Cash Discounts—? ? ?

THIS matter of course has caused plenty of headaches and gray hairs to credit executives. Personally, it has long been my idea that cash discounts have no place in our business structure. The practice, however, goes back to the carpet-bagging days when a premium or "cash discount" was given for "good money." For one reason or another it has continued down through the years with the privilege generally abused regardless of the amount of discount or the period in which it was available.

In an endeavor to correct such abuse, we have inaugurated and put into force a cash discount program which, so far as I know, has no parallel. This is as follows: a cash discount of 5% is allowed a customer on the net amount of our invoice if his check accompanies the order, or when the full amount is received before date of shipment; or in the absence of either, if shipment is made sight draft attached to bill of lading. To those customers who do not avail themselves of this 5% cash discount, we give a 3% discount if the check is received at our Home Office in Syracuse within 30 days of the invoice date; otherwise, all our invoices to our customers to whom we extend open credits are due Net in 60 days.

Obviously, the only purpose of the cash discount is to speed up collections and such customers have the opportunity of a 2% saving for immediate cash payment, although formerly in our industry it was customary to allow a discount ten or twenty days after delivery or after installation, or if and when the customer got around to pay the bill.

It should be pointed out that, under the old system, the transit time from Syracuse to a customer located in Dakota, Texas, or on the Pacific Coast, or elsewhere at some distance, might be anywhere from ten to twenty days. To allow such customers an additional thirty days from date of delivery would be very unfair to those customers living nearby our Factory, where, within a radius

of three hundred miles, are located 75% of the potential buyers of our product. However, now with our differential cash discount system, every customer enjoys exactly the same terms. Although this policy was only recently established it has greatly accelerated our collections.

#### Selling on Deferred Payments

IN the previous paragraph I have touched on the subject of extension of credit on the deferred payment basis. In our industry, installment sales are a sizeable portion of our business because of the relatively heavy capital investment involved in the purchasing of new equipment on the part of the service organizations who are our customers. These are forced, by reason of high labor costs, to be continuously having to replace slow moving equipment with modern, streamlined, high speed machinery. These service organizations' (our customers) costs of operation consist principally of labor; as a matter of fact, labor represents on an average of better than 56% of their sales volume. They operate mainly on a cash on delivery basis, and their purchases of equipment and supplies are paid out of profits. As I have pointed out, the amount of down payment that we require varies according to the type of customer.

The maximum length for completion of contracts that we accept is 36 months. All of our customers' contracts have, for the past three years, been set up on the basis of interest at 6% being paid on the unpaid monthly balances, which provides that, as a customer makes an installment payment, he at that time pays the interest on the unpaid balance of his contract. To illustrate: If the payments are \$100.00 a month for 36 months, the payment would be \$100.00 of principal plus the interest on \$3,600.00 for one month or \$18.00—each payment thereafter would be reduced in the matter of interest by \$.50, the last or 36th installment would be in the amount of \$100.50.

Any credit executive will recognize that this method is of prime importance to the seller and vastly more advantageous to him than the old system of a contract where the interest was only paid on the amount of the principal payment each month, where on a contract, as above, illustrated, the first payment would be \$100.50.

#### Variable Interest

ALTHOUGH our contracts read with interest at 6%, as stated above, we offer our deferred payment customers an opportunity to save in this matter of interest by an agreement to refund one-sixth of the interest paid us if he anticipates the third 12-month period of a 3 year contract, paying his contract in full on, or before, 24 months, thus making available to him a 5% financing rate. If he completes a 3 year contract in 1 year, we will rebate one-third of the interest paid, making the rate 4%. Such refunds, however, are conditional upon there having been no extension of the monthly payments beyond the period stated.

So far as I know, we are the only company in our industry or, as a matter of fact, in any other line, offering this variable rate of interest on installment contracts. The adoption of this plan, however, necessitated some retraining of our sales executives. Formerly, the approach was generally along lines of least resistance, "and you can have three years to pay." Now our salesman *sells the customer terms*, showing him in dollars what he can save if he pays his contract in the shorter periods. If he wants longer terms and smaller payments, he can have them but he has to pay for them. By this plan we have made our customers conscious of the fact that interest over the years is a sizeable sum, giving them a concrete incentive for paying up their contracts in the shortest possible time.

As security for our Term Sales, we used standard forms of Conditional Sales Contracts and Chattel Mortgages conforming to the various State or National laws. These contracts of course set up the full story of the sale, the amount of the obligation, the terms, place of payment, and are supported by an original copyrighted system of notes and collection methods originating with us, differing from any other method of which I have any knowledge.

#### Single Serial Note Now Used

FORMERLY, and, as I understand is generally the case in many industries, such contracts were supported by individual notes providing for payment over the period of months set up in the contract. For many years the problem of having such a series of notes signed was one



of great difficulty. Securing signature of the customer to the contract and notes was either at a bank where the papers were sent for signing, or at the customer's office when presented by the sales representative. Oftentimes the signature was omitted from one or more of the notes, many notes were illegally signed (the customer signing "John M. Smith" on some of them and "J. M. Smith" on others)—errors that had to be later corrected. To overcome this problem, we devised a serial note (herewith illustrated), the note being legal in form in every way. In the body thereof is set forth the amount to be paid and the terms with which it is to be paid, with all other legal language essential to its proper form. On the left side of the elongated note there is set up a schedule of payments month by month, in their varying amounts and due dates, and, as pointed out previously, the first payment is naturally the largest and the last the smallest. A duplicate of the note or "Buyer's Copy" is attached to his copy of the contract and/or mortgage and remains with him for his accounting records.

When the contract and this supporting note is received here at our Home Office, our note tellers make up a "Dummy" note, such as the one pictured herewith—one such Dummy for each monthly payment. The signature, the address of the customer, the amount of the payment, place of payment are typed on this Dummy and it then becomes the collection note that we send for collection or which, upon payment at our office, is stamped "PAID," is returned to the customer and becomes his receipt for the installment payment so made. The Dummy notes are placed in our receivable files and tabbed to come out ten days in advance of the due date, but the actual signed note (the serial note illustrated) is never surrendered until the final payment has been made.

As previously stated, these installment payments are either payable at our customer's bank, at our Main Office in Syracuse, or at the office of one of our Branches. However, in the event of default of any of the installment payments the further collection is inaugurated at the Home Office and inasmuch as we are directly represented through our Branches, or through the personnel of the various executives handling

our sales, we are in a position to have some member of our organization make prompt contact and either collect the defaulted installment or report as to reasons for default and to make such suggestions for any remedy that the situation seems to require.

**No More Mislaidd Notes**

I HAVE pointed out that under the old system of individual notes there was always the problem of having all of them properly signed and the uncertainty that they would all be received by us after signing. Through the years, under the old system, many of the individual notes were lost. Sometimes banks would mislay and hold them for as long as two or three years before they put in an appearance, advising us that they had returned them, or some other excuse. Occasionally, one was lost in transit. They were likely to be misplaced in our files, or in the collection follow up; and there was also the further complication of the note teller inadvertently having cancelled an individual note bearing the wrong maturity date with the result that some customers set up the claim of having paid a note because they had the cancelled document. Naturally, with this situation, we were confronted every year with the necessity of charging off some items of this nature.

Since we adopted this system of serial notes, with Dummy collection receipts, we have never lost any of the original notes, because they stay in the file where they are placed when received and are never withdrawn until all payments have been made. If a Dummy note is lost in the mails or misplaced, it is a simple matter to make out another one. Thus the system has simplified the procedure of selling, the amount of detail in recording and keeping up the collection follow up which results in the saving of clerical help and other handling costs.

The reader may ask as to the bank's reaction to handling "Dummy" notes. Well we have had very little trouble in this connection, although once in a while the collection department of some bank doesn't seem to know what it is all about without a detailed explanation. In one instance a banker in a small town sent back the first Dummy note we

sent for collection, said that they could not handle it as a collection item because it was not a legal note. I replied that his refusal would make him unique among the bankers of America even though his contention might be true, that it was not a "note" in a legal sense but more in the nature of a draft, plus being a receipt for the party who paid the draft or note. I never heard anything more from this chap, the balance of the collections on the contract was made thereafter through his bank without any more correspondence.

It might be interesting to some readers to know that the Dummy notes are printed in endless strips, and in setting up our contracts for ledger records, as soon as the serial note is received the correct number of "Dummies" are torn off the strip, the strip inserted in the typewriter and each note then made out, carrying the essential information for collection, but in the individual amount of the principal payment plus the interest as is shown on the stub of the serial note. The individual Dummy or collection note is then removed from the strip ten days in advance of its maturity and is then routed for collection or retained at our office as may be the case.

**Collection Problem Minor**

IT is perhaps true that the customers whom we sell on the deferred payment basis offer no great collection problem, principally for the reason that, as has been pointed out, their business is on a cash basis. They clean up every week, or at the most, every month. Our experience is that the average delinquent overestimates his ability to pay in the immediate period following the date of his contract. Whatever collection problem there is at that time is usually straightened out without much trouble.

It might be found desirable to grant him a little temporary breathing spell by extending all or part of the defaulted payment for a short period of time, but in no instance beyond the end of the contract period as originally set up. There are naturally in every man's business peak periods, and, in service organizations, weather conditions have a very great effect. The housewife patronizes domestic laundries to a greater ex-



tent during periods of inclement weather, days when she cannot use the domestic servant plus the outdoor clothesline. There are of course other reasons for delinquency beyond the customer's control, such as breakdown of the power plant, strikes, fires, etc.; but in such cases I have usually found that there is always a way out that will be satisfactory to all parties.

Again there have been, and always will be, instances of delinquency that are serious, when our security is in jeopardy. In such cases I have found that it is necessary and desirable to make a first-hand and thorough investigation of the situation. In some cases it has been necessary to insist that we practically dictate to the management the manner in which the business is to be continued—it is our sick cat and we want it to get well. As a matter of record, over the years, I find that it usually does, and I am certain that the expense necessary to cure the cat has been abundantly justified. I have seen many a sick one headed for bankruptcy that came through.

Obviously, having conducted our business over a period of many years and by reason of this wide range of experience, we have accumulated some very definite ideas, resulting in policies of handling these matters, and while primarily our motive is a selfish one of protecting our own interest, I do, nevertheless, get a kick out of the necessary work required in bringing back these sick industries to a condition of good health.

### Repossession Without Loss

**Y**ES, of course, there are cases which no amount of effort can correct. When we find, after we have gone the limit in the matter of co-operation, that there is no possibility of continuing contract relations, we avail ourselves of the remedies provided under the terms of the contract or mortgage, as the case may be. As we do not finance our contracts through finance companies nor do we use the service of any collection agency, we make a direct demand on the customer for the surrender of the equipment to which we hold title, agreeing to cancel the contract and free him of all obligations. Although all of our contracts provide for legal action with the possibility of a deficiency judgment, that is a privilege

SCHEDULE OF PAYMENTS		\$3,933.00		Date	February 1, 1942
1 MONTHS AFTER date		2132 Second Street		Address Fort Wayne, Ind.	
		(Buyer's Town)		(State)	
				(Street Address of Buyer)	
At the time or times stated in the Schedule of Payments hereon, after date, the undersigned (jointly and severally) promise to pay to the order of THE PROSPERITY COMPANY, INC.					
Syracuse, N. Y., or at First National Bank & Trust Co.,					
Fort Wayne, Ind.					
the sum of money stated in said Schedule aggregating HUNDRED THIRTY THREE DOLLARS,					
payable monthly, together with exchange, collection charges, and reasonable attorney's fees, if placed in the hands of any attorney for collection, and interest after maturity at highest legal rate allowed by law. (Upon default in the payment of any installment or any interest or any sum due hereon, the aggregate amount of this note remaining unpaid, at the holder's option, shall without notice or demand at once become due together with interest at the highest legal contract rate, exchange, collection charges and attorney fees. To secure the payment hereof and if allowed by law I/we hereby authorize irrevocably any attorney to appear for me/us after maturity of the whole or any part hereof, in any court of record, in term time or vacation, and waive the issue and service of process and to confess judgment against me/us jointly or severally, from time to time, in favor of the legal holder hereof, for such amount as may appear to be unpaid or declared due hereon, together with interest due and costs and reasonable attorney's fees to be included in the judgment, and to release all errors, and to consent that no writ of error or appeal shall be prosecuted to restrain the operation of said judgment, or any execution thereon, that any such execution may be immediately levied upon any real or personal property of the undersigned, and to waive all rights of the undersigned to have personal property last taken and sold under such execution. Demand, protest and notice of non-payment is hereby severally waived by each maker, endorser and guarantor, and I hereby waive all benefit of valuation, appraisement and exemption laws.					
THIS NOTE IS SECURED BY A CONTRACT OF CONDITIONAL SALE					
Contract #2136					

DUMMY NOTE		Contract Number	2136
No Protest	Am't to be paid \$118.00	Date of contract note	Feb. 1, 1942
Installment number 1		Due date of this payment	Mar. 1, 1942
Upon payment of the above mentioned sum by or for the undersigned, this "Dummy" note becomes a receipt for the 1st installment on a Contract of Conditional Sale or Chattel Mortgage held by THE PROSPERITY COMPANY, INC., payable at their home office at Syracuse, N. Y., or at First National Bank & Trust Co., Fort Wayne, Ind. Bank			
Said Contract or Mortgage being supported by a serial note in the amount of \$3,933.00 on which payments are to be made as listed thereon and which note is held in the possession of THE PROSPERITY COMPANY, INC., to be surrendered when the final installment is paid. This installment is due on the above mentioned date by			
JOHN M. SMITH COMPANY, INC. 2132 Second Street Fort Wayne, Ind.			

Serial Note Kept by Company until Contract Is Completed.  
Dummy Notes Are Used for Monthly Payments

that we have never taken advantage of; however, if a customer wants to fight and go into the courts we meet him on his grounds, but that is a rare eventuality.

Yes, occasionally we do repossess some of the equipment we have sold, but repossession generally is a word that is associated with loss. This is not true in our case. Our bad debt loss from repossessions of our equipment is practically non-existent by reason of the fact that, as we are directly represented through a nearby office (which is advised in advance of the possibility of our having to repossess) invariably a market exists in or nearby the original customer's plant. A resale of the equipment has been arranged for before we actually take physical repossession. In this connection, most of the machinery we sell is very durable and suffers very little depreciation through use. Nat-

urally, there is a good demand for such equipment. This condition, I admit is not paralleled in many lines.

There have been pages and pages written about the benefits, and perhaps even more pages about the evils, of installment selling—the latter by writers who base their arguments on theory rather than facts. For many years, as the reader well knows, bankers throughout the country were disposed to frown on installment sales. Today most of them will finance the sale of anything from "soup to nuts." Our experience does not indicate that installment buyers differ in any way (except for the amount of capital) from those who buy on open account.

If the same amount of care is used by a credit executive in investigating risks, the same amount of attention to delinquency, and if he will organize himself personally, or through his personnel, to know the customer's problems, he will find that neither class has any edge on the other with respect to meeting his terms.

So, in conclusion, I say to you, that experience and integrity far outweigh, as assets, the fanciest kind of a balance sheet. There is one type of document, however, that I am always interested in and that is comparative Profit and Loss statements.

Mr. Simpson's unique solution of an annoying problem is indicative of the possibilities that exist for simplifying credit routines and systems. Avoidance of wasted effort and material has always been important. Today, it is a duty.



# A Credit Man Talks to Retailers

## *Tells Why Good Credit Is So Valuable in Business*

**OF** Let us be frank about it right from the start. Credit is much more than a mere accommodation and, in the discussion of such a topic, I am sure you will permit me to touch briefly upon some of its elementary facts.

Our practical meaning of Credit is "Man's confidence in Man." The Websterian definition would be "Reliance on the truth or reality of something; belief; faith; trustworthiness." Here you will find ascribed to credit the "most important element of honor." The latest treatise on Credit, by Associate Professor of Finance, Albert F. Chapin, of New York University, describes it as "the power to secure merchandise or service by promising to pay for it at a specified future date."

Its function is as a medium of exchange of goods. It makes possible the production and distribution of goods. In the modern age of industrialism, credit adds the necessary impetus or momentum for business to function and expand. It permits men to engage in business enterprises who have not sufficient capital. Credit is part of the contractual relationship—a quid pro quo—"What for What." Goods are delivered on the mere promise to pay in a certain time. Title passes with the acceptance by the vendee. There is the transfer of something tangible for the express and unsecured promise to pay for them at a later date.

### How Pharmacy and Credit Started

**W**HEN I think of the origin of Credit, I cannot help but remember the origin of the most noble profession of Pharmacy. It was, if my memory serves me correctly, back about 1865 when Abraham Lincoln served on the Board at the Pennsylvania Hospital, that Dr. John Morgan, then Chief of the Staff, said, "Mixing medicine for patients requires too much of our time and is a drain on us—there is a need for an additional profession." Only Credit had a more ignoble tradition.

By **GEORGE T. BRIAN, Jr.**  
*Credit Executive, Noxzema Chemical Co.*

This article was delivered before a Regional meeting of the Maryland Pharmaceutical Association. It exemplifies a practical method of educating one's customers in credit principles. Such frank discussions are worth while planks in the credit executive's educational platform. They afford excellent points of friendly contact with one's customers and prospective customers.

In the time of 895 B.C., the creditor had not only power over the debtor, but could cause his wife and family to be sold in satisfaction of his claim or put in bondage. In even the comparatively enlightened states of Greece and Rome, the power of the creditor over the person of his debtor was recognized by law. The creditors might cut the body of the debtor in pieces and share it among them. In England, imprisonment for debts was abolished during the reign of Queen Victoria. In our colonies, the early settlers realized that a man in jail had no means of making money and adjusted the debt laws so that the first Bankruptcy Act was passed in 1800. That was the time of pest houses for tuberculars—the short sighted dark era of primitive civilization. Then came the dawn of American business—the advent of fast transportation and communication. Industry and business threw off its shackles and expanded. Economic theories changed with the time. Interstate commerce became extensive. Marketing developed and with it the need for more correspondence to collect debts.

### How Credit Men Can Help You

**H**OWEVER, it was not until the gay nineties that theories of credit began to develop, and it was not until the turn of the century

(about 1906) that the first credit department came into being. Today, it is recognized as a profession and the credit executive should possess training in such courses as Mercantile Credit, Credit Management, Marketing, Accounting, Economics, Commercial Law, Business Organization, in order to hold the degree of Fellow, before he is considered fully equipped to conduct a credit department. It must be realized that the combined credit profession today is the guardian of the nation's profits. They are the key men who have within their reach the control of such cyclical events as the over-inventoried conditions of the 1937 recession. By their study of economic conditions, they are in a better position to tell whether there is overbuying than anyone else in industry. It is entirely possible they can prevent customers from becoming over-inventoried by suggesting to business management that this evil is about to exist. By their credit control they are in a far better position to know what items are the better sellers during a particular economic period and can avoid the mistakes of anxious and gullible buyers.

### Who Should Be Given Credit

**T**HE supplier being removed from the buyer, it was natural that sources of credit information be developed so that the grantor of credit would know something pertinent about him. In the early days, credit was granted on the recommendation of drummers, but in 1837, Louis Tappen, a very successful silk merchant who had failed because of large credit losses, started to supply other merchants with information from his files. It is significant that such a kaleidoscopic effect should originate in this matter. Later, John M. Bradstreet, a young mid-western lawyer, uncovered some valuable information about various debtors who were involved in a bankruptcy case, and established a credit reporting company. Then, came R. G. Dun. In



later years, the credit profession wanted to know more about the prospective customer and the three C's of Credit became the measuring instrument. They are Character, Capacity, and Capital, rated in the order of their importance. Even though financial statements are invaluable in appraising the merchant's financial position, credit men have come more and more to regard character of the seeker of credit accommodations as the most vital prerequisite. Here it might be stated that the credit executive is anxious to see a worthy man given a start in business and leans backward to see what good points are in his behalf rather than the derogatory ones. There are any number of mercantile agencies who can give the credit manager facts regarding the customer. Some companies specialize in Personal Character Reports and others in Commercial Reports. The banks have an association by which member banks can learn the exact financial strength of the risk. Through Court connections it can be learned whether any chattel mortgages, sales liens, and the like are in effect. Besides this, manufacturers freely exchange ledger experiences, and it is possible to learn the exact amount an account owes any particular group of manufacturers at one time—how much is past due, and for how long. This was a radical departure from the days when competing concerns would not give information to each other. Even today, there are merchants who are reluctant to give information which they consider sacred. But should they withhold such facts, as will enable the seller to appraise them, when they are seeking credit? It is entirely reasonable and proper that the seller should be fully advised concerning the credit position of the buyer. The debts of a concern represent the interest of creditors. If an enterprise has total resources of \$30,000 with liabilities of \$15,000, then the creditors have as much investment in the business as the owner, and they are not to be blamed for inquiring about the progress of the concern. The establishment and maintenance of a good standing with commercial agencies is something in which the average successful business man takes pride. Furthermore, it may be well to divulge that well rated concerns are always sought when desirable franchises or agencies are estab-

lished. A few merchants will say they do not need to give information because they are not in need of credit, but it usually happens that at some time or another the contrary is true. They see an item they want and are not in a position to buy in cash. The result is that their order is held up by the supplier until an investigation is made. If there is a reticence on the part of the buyer to give facts to the agency or the supplier, how can they hope to be granted regular terms? Then again, every worthy business man should support legitimate systems of business control, because they stand as a bulwark against the unscrupulous. Were it not for agencies like Dun & Bradstreet, crooks would operate with greater ease. The Fraud Prevention Department of the National Association of Credit Men has uncovered and prosecuted 1600 business criminals during a period of ten years. When a trader accepts or seeks credit, the chances are that his standing will be investigated. It is not hard to learn a concern's liabilities, but assets are more elusive. It may be well to point out that in these reports there is always the possibility of error because the human equation is involved.

#### Getting the Money

**B**ENJAMIN FRANKLIN once said, "Creditors have better memories than debtors," and I, for one, am ready to admit that condition prevails today just as it probably did years ago. In more recent years, manufacturers have evolved a methodical system of asking for payment of their merchandise. Like Big Ben, first they whisper, then shout. Prior to the modern theories of credit management, the vehicle used was just to get the money. Later, the retention of the customer's goodwill was guarded. Then, in more recent years, it was advanced that the Credit Department should attempt to get a new order at the same time a check was asked. Usually the procedure employed by sellers is about the same—the steps are tempered as the debtor becomes more delinquent. A great deal of time and thought have been given to letter writing by the credit profession. The approach varies, but can be by Reminder (statement, novelty, or straightforward request,) Persuasion (persuasive appeal—firm appeal,) Coercion (insistence, threat,

demand) but from the first delicate approach to the iron hand in the velvet glove the creditor hopes to preserve his customer's goodwill. In this process of getting paid from the buyer, it must be realized that it is an impersonal matter because in nearly every case the Credit Department does not even know the customer personally. They carry no vengeance. Essentially a credit manager should be of a judicial temperament, weighing the facts in every case. He should be humane and of a kindly nature and understanding of the problems of human relationship.

#### Prescription for Credit

**A**LL merchants should realize that the manufacturer or grantor of credit is fundamentally and selfishly interested in the buyer's success. The credit executive knows that if the buyer doesn't make money, his employer won't either. The credit manager on behalf of his organization is ever willing to lend a helping hand to the embarrassed customer. That is part of his job. May I suggest that you call on him whenever it is necessary, for you will find him receptive.

At this point, I would like to try my hand at writing a prescription which I will ask you to fill accurately should the occasion ever arise.

1. If the credit manager ever writes you a letter which you feel is wrong, tell him about it. (His facts may be wrong.)
2. If the credit manager ever writes you for Cash on Delivery, and you believe you are entitled to credit accommodations, tell him so and why. (His facts may be incorrect.)
3. Remember that the credit manager treats all customers alike—from the largest jobber to the smallest retailer.
4. If you ever need an extension of time, ask him for it. If your case has merit it will be granted. (Even the best of us need help once in a while.)
5. If he writes you about a past due obligation, don't ignore it. (How would you like an order to be ignored?)
6. Don't buy more than you are sure you can assume responsibility for payment according to the seller's terms. (Some over-ambitious credit manager might throw you into bankruptcy.)

7. Always welcome the credit man-  
(Continued on page 28)



# SICM Faculty Named

## *NACM Summer Institute to Hear Experts*

Announcement of lecturers for the 1942 Summer Institute of Credit Management has just been made by President Carl D. Smith of the Babson Institute of Business Administration.

This year's sessions of the N. A. C. M.'s Summer Credit Institute will be conducted on the campus of Babson Institute, Babson Park, Mass., July 26-August 8. Already a large number of men and women credit executives have made advance reservation.

Among those named by Dr. Smith, four were members of the S. I. C. M. faculty last year. They include:

Professor John Andrew Petersen of Babson Institute who will teach the course in "Analysis of Financial Statements";

Professor Louis P. Starkweather of New York University, who will handle the course in "Bankruptcy and Reorganizations";

Eugene J. Bengé, Chicago Industrial and Management Engineer, who will repeat his well-received course in "Business Psychology";

And Professor John E. Millea, member of the Babson faculty and a Management Consultant and Director of several New England companies. He will be in charge of the course in "Management Problems and Policies" including emphasis on corporate finance and distribution.

Newly-appointed members of the 1942 faculty will be Dr. Harley L. Lutz, of Princeton University, whose course will be "Public Finance" including the effect of taxes on business, and Harold Hastings Shively of the Babson faculty, who will lecture on "Commercial Law" including contracts and sales.

"Credit Department Management and Procedures" will be headed by Lee T. Hadley, Goodman Mfg. Co., Chicago.

The highly successful pioneer sessions of the S. I. C. M. in 1941 have developed a widespread interest in



Mr. Shively



Mr. Bengé



Mr. Millea

this year's courses. Consequently, it is recommended that those planning to attend make inquiry now because of the limited facilities and the consequent limit that must be placed on registrations.

A plan of advance reservation has been arranged which does not involve any obligation, but will place your name on the mailing list to receive future bulletins and information mate-

rial as it is developed.

Plan now to attend the 1942 S. I. C. M. sessions at Babson Park July 26-August 8. Write today to the Director, Summer Institute of Credit Management, One Park Avenue, New York, for full information as to courses and curriculum, living arrangements and recreational facilities.

Remember: "It is always in season for men to learn."



Mr. Petersen



Mr. Starkweather

*Prepare Today for Credit Opportunities!*

## **SUMMER INSTITUTE OF CREDIT MANAGEMENT**

Sponsored by the National Association of Credit Men, in cooperation with Babson Institute of Business Administration, on the Campus at Babson Park, Mass.

**JULY 26 - AUGUST 8, 1942**

For Details as to Courses, Costs, Living Arrangements . . . write at once to Director, Summer Institute of Credit Management, One Park Avenue, New York



# Federal Economy Plans Studied

## *Program Is To Lop More Than a Billion from Budget*

**EN** Business, trade and financial organizations welcomed an announcement that the Joint Congressional Committee on Non-essential Expenditures, headed by Senator Harry Flood Byrd of Virginia, has recommended savings of \$1,301,075,000 in federal costs during the fiscal year starting next July 1.

Many business groups which have been working for economy in the Federal Government to offset part of the huge tax burden for national defense, saw in the report indications of an all-out drive by the Congressional economy bloc as a war finance necessity. Business organizations, together with state and local taxpayer groups, regarded the report as a major victory for the nation-wide economy - in - government movement which has already reduced state and local government costs by hundreds of millions of dollars.

The Joint Committee in its first report, recommended abolition of the Civilian Conservation Corps, the Farm Security Administration, the Farm Tenant program and the peacetime activities of the National Youth Administration, a saving of \$586,349,000.

It is proposed that work relief expenditures, estimated at \$940,000,000 for the current fiscal year be cut \$400,000,000. The Committee recommended savings of \$400,622,000 in the agricultural program, and \$161,726,000 in the federal public works program.

A comprehensive study of non-defense federal expenditures by functions, was published recently by the Brookings Institution. This private organization recommends savings of \$2,085 million in the forthcoming federal budget. Suggested reductions (in millions) are as follows: flood control, rivers and harbors and other water projects, \$350; agriculture, \$625; public domain, \$19; public welfare, \$615; highway development, \$171; executive and other general activities, \$5; transfer of costs to state and local government, \$300.

By COLBY DORR DAM

*Citizens Emergency Committee on  
Nondefense Expenditures*

"These recommendations," says the Brookings Institution, "center in a few major classes of appropriations which cannot readily be justified under war conditions and in the light of the recent expansion in production and national income."

Thus the war finance crisis has finally placed before Congress two facts long recognized by business men: that our economy cannot support an all-out war effort combined with record-high nonessential federal expenditures; that the war effort demands complete financial, as well as complete military, preparedness.

### Huge Omnibus Bill

**H**OWEVER, the fight for federal economy has only begun. The Byrd Committee will issue further reports on where and how the federal budget should be reduced. The Committee needs support from organizations back home—from civic, trade, financial, business, agricultural and patriotic groups of all types. Resolutions asking a streamlining of the 1943 budget should be sent to members of Congress, and particularly to members of the Appropriations Committees of the Senate and House.

Those Congressmen who are fighting to keep our American economy solvent in the face of war costs which aggregate \$74 billion to date, and which probably will total \$150 billion eventually, need all the public support they can get.

Consider, for example, HR 5993, the largest Omnibus Rivers and Harbors Bill in history, which carries authorizations for first costs of approximately \$1 billion. The bill would finance 236 projects in 31 states. Less than 100 of them are new projects; the remainder, representing over 140 items, were previously vetoed by the President or failed of passage because they were economically unsound. All are now

lumped together in the Omnibus Bill which represents a new high in pork barrel legislation. Only a small number of these projects are recommended primarily for defense purposes. If legitimately defense, these should be segregated and passed. Two hundred of the 236 items are definitely unrelated to defense. These should be tabled for the duration.

The above bill is a sample of what may be expected from organized pressure groups who are seeking to benefit at federal expense, at a time when Congress is concerned with financing a huge, but necessary, war budget.

### Press for Economy

**T**HIS is an emergency period when citizens and their organizations should refrain from asking Congress for subsidies at the taxpayers expense. They should, instead, urge their Congressmen to confine non-defense expenditures in the 1943 budget to an absolute minimum. Otherwise, we may win the war abroad only to find that we have lost it at home.

#### *What You Can Do to Help the Government Save for Victory*

1. Write to your Senator and Representative expressing your views on federal economy and on the recommendations of the Joint Congressional Committee on Nonessential Expenditures.
2. Have your organization adopt an economy pledge and send it to the President and the Congress of the United States.
3. Send an article to your local newspaper announcing your action.
4. Present the pledge to other organizations in your community and urge them to adopt it.
5. Advise state and local public officials of your action.
6. For additional information and literature on the federal economy campaign write to the Citizens Emergency Committee on Non-defense Expenditures, 1155 16th Street, N.W., Washington, D. C.





*More care in avoiding accidents means more production here . . .*

*and more of everything needed here.*

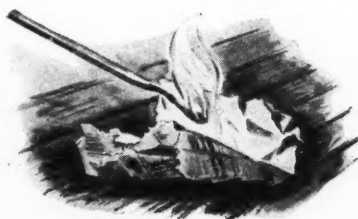


# Carelessness and Victory don't mix!



## *Safe (?) at home*

One-third of all fatal accidents—and no one knows *how many* less serious injuries—happen at home! Eliminate every possible hazard. Be especially careful in blackouts.

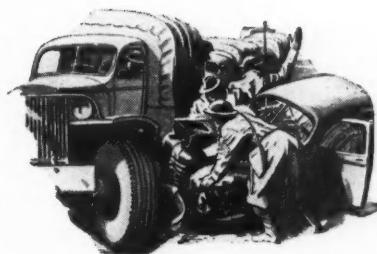


## *Join the Crusade against Carelessness!*

There's no age limit. You and *you* and YOU can help stop the accidents that are delaying production—that are destroying lives and property. You and *you* and YOU can help stop our \$322,000,000 annual fire loss.

To win this war, every one of us must fight as never before against tragic and needless waste of time, manpower, machines and materials.

A Hartford Agent or your insurance broker can obtain valuable advice for you on how to prevent accidents and fires. He can also build a sound program of insurance to protect you or your business against serious financial loss.



## *Be patriotic—drive carefully!*

Civilian carelessness mustn't delay convoys. Drive at moderate speed—obey all traffic rules. And remember: an accident today may mean *no car for you* for the duration!



## *To reach a Hartford Agent*

Call Western Union (or Canadian National Telegraphs) and ask for the name and address of the nearest Hartford representative. Let him study your insurance needs in the light of today's conditions. Or talk to your broker.

*Keep 'em Flying!*

# HARTFORD INSURANCE

Hartford Fire Insurance Company • Hartford Accident and Indemnity Company

THE TWO HARTFORDS WRITE PRACTICALLY EVERY FORM OF INSURANCE EXCEPT LIFE



HARTFORD, CONNECTICUT



# Credit Congress Industry Programs

## *Groups Making Big Plans for Cincinnati*

**C**Plans for the General Credit Congress, and for the Industry Meetings which will be held on May 13th, are moving along splendidly.

Tentative estimates of attendance which are being received from various Associations indicate equally as good, if not better, attendance than at New Orleans last year, and we really anticipate that, between now and Credit Congress time, many who have not heretofore felt they could attend will see the need of getting together with fellow Credit Executives for a renewing of contacts and an exchange of ideas on the many problems now confronting them.

Chairmen of the Industry Committees are making excellent progress in the formulation and completion of their programs. They are, without exception, going to be outstanding. Complete programs will be published in the May issue of CREDIT & FINANCIAL MANAGEMENT. In the meantime, I am happy to be able to give you the highlights of those available at this time.

**Advertising Media:** Chairman W. A. Lightbody, Chicago Tribune, Chicago, announces that the Advertising Media program will open with an Address of Welcome by A. Imsande, Cincinnati Enquirer, Cincinnati; following which, during the Morning Session, there will be addresses by R. B. Gratzner, Courier Journal & Times, Louisville, Dick Bray, Carroll D. Alcott and Charles W. Staab. In the afternoon, A. L. Podrasnik, The Times, Chicago, will speak on "Credit Department Relation to Other Departments." H. B. Pugsley, The Press, Cleveland, will speak on "Transient Classified Credit," and there will be a talk on "Bad Debts" by Joseph W. Burg. Open forum discussions are being scheduled on several timely subjects.

**Bankers:** Chairman, Thomas F. Regan, National Bank of Commerce, New Orleans, La., announces the appointment of Mr. John Beale, The Central National Bank of Cleveland, Cleveland, Ohio, as an additional member of the Bankers Committee.

By **CARL A. ARMSTRONG**

*Drackett Products Co., Cincinnati, Ohio*

*Chairman—Industry Meetings Committee*

While neither speakers nor subjects have yet been definitely scheduled, it is quite likely that there will be addresses on "Statement Analysis", "Business After the War", "Government in Banking", "The Future in Banking" or "Banking After the War", as well as on some other timely topics.

**Brewers, Distillers & Wholesale Liquor:** C. L. Weatherholt, Forman-Brown Distillers Corp., Louisville, Ky., Chairman, advises that considerable time will be given to discussion and analysis of a survey now being conducted for the purpose of determining the cost of licenses and taxation in relation to sales.

The Meeting will also be addressed by an outstanding representative of the Brewing Industry, and probably by a state liquor control official.

**Building Material & Construction:** J. A. Farrar, Mosher Steel Co., Dallas, Tex., will speak on "Priorities". Chairman H. D. Palmer, Detroit Steel Products Co., Detroit, Mich., advises that other subjects and topics of equal prominence will be scheduled.

**Clothing, Men's Furnishings, Dry Goods, Footwear, Ladies' Wear & Millinery:** Frank C. Knapp, Endicott-Johnson Corp., Endicott, N. Y., has accepted the Chairmanship of the Committee, and the preliminary steps in his program are well under way. Effort will be made among other things to secure a prominent speaker to discuss the problems of the little business man, including both wholesale and retail distribution.

**Drug & Chemical:** Chairman R. W. Rothhaas, Andrew Jergens Co., Cincinnati, Ohio, has virtually completed his program. "Personal Reminiscences of Years in the Drug Business" will be presented by John E. Rudolph, Director of Drug Relations, Crosley Corp., and Station WLW, Cincinnati. Kenneth H. Campbell, Manager, Foreign Credit Interchange Bureau, National Association

of Credit Men, will speak on "Foreign Trade Particularly as Applied to Latin America". J. S. Hewitt, Vice-President in charge of Sales for the Andrew Jergens Co., Cincinnati, Ohio, will speak on "A Sales Manager Talks About the Credit Department". "Collection Correspondence" will be the subject of an address by Major Fred J. Dixon, former University of Cincinnati professor, now associated with the Gruen Watch Co. and the Procter & Gamble Co. Otto Kohl, National Director of the N. A. R. D., and past President of the Cincinnati Retail Druggists' Association, will talk on "The Retail Druggist Speaks".

There will, also, be an address on "Extending Credit in a War Economy" by a speaker to be announced later.

**Electrical & Radio:** Robert C. Fiske, Pittsburgh Reflector Co., Pittsburgh, Pa., has accepted the Chairmanship of the Committee, and R. M. Wilder, Pass & Seymour, Inc., Syracuse, N. Y., has been appointed a Committee member.

A number of tentative topics and speakers are being discussed, and you are assured of a program of the highest calibre.

**Fine Paper:** Chairman H. C. Steward, The Whitaker Paper Co., Cincinnati, announces that there will be an address by a top executive of the Paper Industry who will discuss current credit problems. L. E. Phelan, Secretary, Detroit Association of Credit Men, Detroit, will speak on "How to Keep Debtors From Failing." Dr. H. H. Beneke, Professor of Finance, Miami University, will deliver an address on a subject to be announced. There will be a joint luncheon with members of the Paper Products & Converters Industry which will be followed by an address.

**Food Products & Allied Lines Manufacturing:** Chairman Frank H. Wheat, Universal Match Corp., St. Louis, Mo., advises that Arthur L. Moler, Vice-President, Fifty-Third Union Trust Co., Cincinnati, Ohio, will speak on a subject to be announced. C. T. Romer, Tax Con-





**"Now why should  
I have Auto  
Insurance?"**

The real purpose of auto liability insurance is to protect you from liability losses regardless of whose fault they are. Many claims for bodily injury or property damage are the result of carelessness and may be brought even when you are blameless. Don't be Overconfident. Remember, you may be held liable for damages as the result of an accident. Let our agent make a complete survey for all possible exposures to loss.

**BE SURE—INSURE!**

**AMERICAN SURETY COMPANY  
NEW YORK CASUALTY COMPANY**

Home Offices: New York  
FIDELITY • SURETY • CASUALTY

*When writing to advertisers please mention Credit & Financial Management*



sultant, Cincinnati, will address the Morning Session.

At noon, there will be a luncheon which will be followed by a discussion of accounts in which all in attendance are invited to participate.

**Hardware Manufacturing:** Chairman H. T. Riddick, The Osborn Mfg. Co., Cleveland, Ohio, announces that considerable time will be devoted to a discussion of "Wartime Credit Problems", "Credit Hazards of the War Industries", "Preparation for After the War" either in the form of round table discussions, or the subjects will be presented by speakers to be selected, and to be followed by an Open Forum. A part of the Meeting will, also, be devoted to a discussion of accounts.

**Wholesale Hardware:** W. B. White, Smith Bros. Hardware Co., Columbus, Ohio, will address the Meeting on a subject to be announced. A number of other topics now under consideration will be decided upon shortly. There will be a joint luncheon with the Paint, Varnish, Lacquer & Wallpaper Industry, following which will be an address by a speaker to be selected.

**Iron & Steel:** Chairman Paul F. Smalley, Newport Rolling Mill Co., Newport, Ky., advises that the Steel Trade Group which has been meeting every 60 days in Pittsburgh, is transferring its May Meeting to Cincinnati, and it will be combined with the regular Industry Session at the Credit Congress. Chairman Smalley expressed the belief that this would bring an additional 15 or 20 representatives to the Meeting.

A tentative program is under consideration, and will likely be completed within a few days.

**Meat Packing:** O. E. Dede, Krey Packing Co., St. Louis, Mo., will address the Meeting on a subject to be announced.

Chairman Richard C. Dougherty and Committee have had a meeting at which many other program plans have been discussed, and will soon be announced.

**Machinery & Supplies:** The program will include a Panel Discussion on "Our War Program and Its Effect on Credits".

The other subjects under consideration are "Tests of Credit Performance", "Taxes and Their Effect on Credit Performance", "Credit Information for Executive Use" and "Occupational Sales and Use Taxes".

Chairman G. B. Ripley, American Laundry Machinery Co., Cincinnati, Ohio, advises that there will be an Industry Luncheon, and many additional features which it is not yet possible to announce.

**Paint, Varnish, Lacquer & Wallpaper:** Chairman F. J. Hamerin, Lily Varnish Co., Indianapolis, Ind., tells us that some time will be spent in discussing "The Shortening of Terms", and "Possible Elimination of Datings", as well as the problem of what to do with orders received from customers already owing past due accounts.

There will be a Joint Luncheon with the Wholesale Hardware Industry.

**Paper Products & Converters:** There will be a Joint Luncheon with members of the Fine Paper Industry.

Chairman E. Wylie, Container Corp. of America, Chicago, Ill., advises that, among other features, there will be an address by an executive of one of the larger paper mills.

**Plumbing & Heating:** Chairman Frank V. Bigelow, Malleable Iron Fittings Co., Branford, Conn., tells us that some of the topics which will be presented are "Fire Insurance", "Discount Abuses" and "Should We Finance Sales?" It is also planned to present, probably in an Open Forum, "Credit Department Routines".

**Public Utilities:** Word received from Harry S. Hahn, The Ohio Fuel Gas Co., Columbus, Ohio, indicates the usual outstanding program. Sessions will be held on Tuesday, Wednesday and Thursday — May 12th, 13th and 14th.

The highlight of the program is a speech by Dr. T. E. Beckman, Professor of Marketing, Ohio State University, and an eminent authority on Credits and Collections. The program also features Howard E. Kroll, Manager, Analytical Department, Dun & Bradstreet, Inc., Chicago, Ill., who will talk on "Recognizing the Financially Insolvent Customer"; E. W. Leonard, Collection Agent, The Bell Telephone Company of Pennsylvania, Pittsburgh, Pa., whose subject is "Salvaging Charged Off Accounts"; and G. A. Saas, Director of Public Relations, Citizens Gas & Coke Utility, Indianapolis, Ind.,—"The Customer Looks at Us — A Worm's-Eye View". There will also be a Panel Discussion on the subject,

"Due to the Loss of Trained Employees, What Changes in Credit and Collection Procedure and Policy Can Be Made."

A visit to a local utility is planned for Thursday morning, with the entire day devoted to discussing problems and questions which delegates want brought before the Group.

One of the outstanding features of the Public Utility program will be a unique innovation of seating delegates who have like problems at the same luncheon table on Wednesday, May 13th. The Public Utility Group has worked hard to provide an outstanding and strong program, and one which will merit the consideration of our Public Utility executives.

**Textile:** Louis Oresman, of the accounting firm—Aronson & Oresman, New York, N. Y., will speak on "Life".

Chairman A. J. Pischel, Joshua L. Bailly & Co., New York, N. Y., advises that the subject "Priorities and Their Effect on the Textile Industry" will be presented by a speaker to be announced.

## U and O Coverage Seems Especially Important Now

(Continued from page 12)

ments will be extended and while, in times gone by this same risk might produce a partial loss, it may, under present conditions go five times longer than anticipated.

You can well picture the predicament that a concern might find itself in in case of a serious fire loss without Use and Occupancy coverage. The manager would have to consider its future earnings, would have to consider its dividends and may be very much embarrassed with its bank loans. It might be necessary to use all the money of the fire property loss to pay off its indebtedness and under these conditions would not be in a position to resume normal operations. It is just safe in figuring that the bank would not loan its money to rebuild or resume operations. You couldn't expect it to speculate on your future earnings.

★

47th Annual NACM Credit Congress  
Cincinnati May 10-14, 1942

★



## Defense Committees Report Activities in Several Cities

**OF** Reports from a number of cities indicate successful activities by their newly organized National Defense Committees. The purpose of these committees is to serve as coordinating agencies for Association members who seek a share in war production work. The committees do not function as placing agencies but rather as information centers.

The following reports from several cities give an interesting view of this new NACM activity:

**Louisville:** I think you will be interested in the enclosed reproduction of a letter from Mr. Prentiss M. Terry, State Director of the War Production Board, which will be reproduced on the cover of the March issue of our local bulletin, CRISP CREDIT CHIPS. We had an interesting meeting of our local Committee last Friday noon, and our group is ready and willing to assist in promoting this activity. S. J. Schneider.

**New Jersey:** A. W. Hawkes, President of the Chamber of Commerce of the United States; George K. Batt, President of New Jersey Chamber of Commerce; Mr. Reeves L. Kennedy, New Jersey State Director, Division of Contract Distribution, and Mr. Lawrence C. Ward, Financial Representative of the War Production Board are to be present at the Defense Committee Banquet held at the Down Town Club in Newark, N. J. on Monday evening, March 30, 1942 at 6:30 o'clock.

**Oshkosh:** Defense Committee held a luncheon meeting at the American Legion Club House in Oshkosh the evening of February 23rd with Mr. Paul W. Romig, Manager of the Appleton Office of the War Production Board being present as a guest of the Committee.

**Seattle:** President Lockhart has appointed a Defense Committee as follows: W. E. Morrison, Chairman, Northwest Steel Rolling Mills; E. A. Cowman, Cowman Campbell Paint Co.; R. C. Gourlay, Gourlay Lbr. Co.; G. F. Kirkpatrick, North Coast Chemical & Soap Wks.; E. O. Mickelson, Seattle Radio Supply; Harry L. Von Eschen, Northwest Lead Co.; and H. R. Washington, Webster-Brinkley Co. Similar committees have been appointed in all other Associations and they are all working with the National Association committee in the interests of national defense and particularly in the interest of "small business." Dr. Preston and Capt. Hammer have both consented to answer questions which members will submit through Education Chairman I. E. Totten at the Defense Committee meeting on February 16th.

**Chicago:** We are asking our members to come to us with their problems that are arising out of the defense program and we are trying to help them get in touch with  
(Continued on page 30)



# BOMBERS DON'T Tip-Toe

Signals flash from observation outposts . . . mechanical ears pick up the sound of humming motors. Long before ears or eyes detect the enemy, the city is ready.

Bombers don't tip-toe. But business failures can, and often do, creep up without warning. In these days of unusual credit conditions . . . of priorities, of labor and material shortages . . . large "safe" customers can fail suddenly, imposing a serious loss on creditors.

A keen credit executive is the first line of defense. But the more experienced the credit executive, so much more does he realize that incidents may occur after he has authorized shipment, causing failure of the customer. Most failures, especially the larger and more serious, cannot be foreseen despite Interchange Reports, credit information from merchantile agencies and banks.

## AMERICAN CREDIT INSURANCE

is the strategic defense employed by thousands of credit executives to protect working capital and profits against credit losses. It guarantees reimbursement of Accounts Receivable . . . guarantees reimbursement for losses caused by the insolvency of customers. Write for free booklet "Why Business Failures?" Address Dept. C-4.

**J. F. McFadden, PRESIDENT**  
First Natl. Bank Bldg., Baltimore, Md.

49 YEARS IN BUSINESS



AMERICAN CREDIT INDEMNITY COMPANY  
OF NEW YORK

"Guarantees Payment of Your Accounts Receivable"

OFFICES IN PRINCIPAL CITIES OF UNITED STATES AND CANADA  
Own a share in America . . . buy DEFENSE SAVINGS BONDS



# Credit Congress Visitors to Inspect "Time Hill"

**CFM** Ask almost any credit executive "What comes to mind when you think of Cincinnati?" The answer will invariably be "Time Hill." Few who have seen this home of the Gruen Watch Company can forget it. George J. Gruen, past President of our National Association and General Chairman of the 1942 Credit Congress, needs no introduction to our readers. Even though his plant were less unusual, few credit executives could forget one who has been active in his support of Association activities.

Recently Mr. Gruen revealed some interesting facts about Time Hill and the Gruen Watch Company.

"Most visitors," he said, "think of a Swiss chalet when they see our plant. Yet it is not a copy of any Swiss building. Naturally, my

father was influenced in his choice of an architectural style by the buildings in his homeland. However, our factory was built from plans prepared by an American architect. It was constructed for efficiency, rather than appearance. Natural light was one requisite. Our plant was built so that every watchmaker could work by his own window. When, some years ago, it was decided to erect a new plant in Switzerland, the plans of our Cincinnati plant were followed."

Mr. Gruen gave us some glimpses of the historical background of watchmaking.

Back in the sixteenth century clock-makers first attacked the problem of making clocks 'portable.' Peter Henlein, a young locksmith of Nuremberg, was one of the first to

successfully do this. His product was known as the famous "Nuremberg eggs."

Switzerland, traditional home of fine watchmaking, first came into the picture in 1574 when Charles Cusin, a famous watchmaker, moved to Geneva. Thirteen years later he formed the first Watchmaking Guild, which developed into one of Switzerland's most important industries. Before a century had passed this Guild was producing about five thousand watches a year. For the first time watches could be owned by others than royalty and the extremely wealthy. All these Guild craftsmen fashioned their watches by hand, carefully guarding the secrets of their trade from independent artisans who sought to copy them. The Guild watches grew famous, so famous, in





fact, that the watchmakers signed their watches in much the same manner as Raphael would sign a painting, or Cellini, a golden vase. Watchmaking was considered an art and a mystery, and, as such, was passed down from father to son through many generations.

A Fine Tradition

THE Gruen Watch Company originated in this atmosphere of fine watchmaking tradition. "My father, Dietrich Gruen, set out to improve the pocket watch. In the eighties he produced what is now known as the 16-size pocket watch. This has come to be standard for railroad time-keeping. But the 16-size did not materially diminish the thickness of the watch. My father believed that the size of a watch could be cut without sacrificing accuracy."

"In 1902, my bother, Fred G. Gruen, evolved the Veri-Thin Wheel Train idea. This made possible the first really practical, stem-winding, thin pocket watch, known as the Gruen Veri-Thin. Through a simple, patented rearrangement of the wheels, half of the movement space was saved, without reducing the size or strength of the watch parts."

Many innovations followed this discovery. Gruen pioneered the lady's wristwatch in America and the first Quadron wristwatch with rectangular movements.

The wristwatch, however, brought its own problems. Chief of these was a method by which to curve the wristwatch so that it would follow the natural arc of the wrist.

"After years of research, we marketed the famous Gruen Curvex in 1935. For the first time, the movement itself was curved—not just the case. This was another Gruen 'first' and was hailed as a modern miracle of watchmaking by the trade. The idea has been widely copied, but only Gruen can make the real Curvex curved movement until the patents expire in 1952."

After solving the problem of curved movements, Gruen again pioneered in developing the thinnest possible wristwatch also curved. Without reducing the size of the parts, Gruen produced the patented Veri-Thin wristwatch that appears almost as thin as its strap.

"The Curved and the Veri-Thin won Gruen an award as the style leader of the watch industry and an

TWO WAYS TO GET MORE OUT OF YOUR PRESENT BURROUGHS MACHINES



BURROUGHS ADVISORY SERVICE

Burroughs technical advisory service is rendered by men trained and experienced in systems and in the installation of machine equipment. Their knowledge of machines, applications and procedures is especially valuable in meeting today's changing conditions . . . suggesting operating short-cuts that save time . . . finding ways to handle related records in one operation or to obtain vital statistics as a by-product.



BURROUGHS MECHANICAL SERVICE

Burroughs experienced mechanical service is rendered by Burroughs' own salaried, factory-trained, factory-controlled men. These men inspect, lubricate and adjust Burroughs machines. They make repairs and replacements with genuine Burroughs parts. Their work is guaranteed by Burroughs. Conveniently located throughout the nation, Burroughs service is available in the shortest possible time.

Today, when it is so essential to make the best and the fullest use of the figuring and accounting equipment you now own, and to make that equipment last you as long as possible, Burroughs offers these two extremely valuable and timely services to Burroughs owners.

Both Burroughs advisory service and Burroughs mechanical service have been time-tested throughout the years, and are nationwide.

They are available to you through your local Burroughs office, or by writing direct to—

BURROUGHS ADDING MACHINE COMPANY  
DETROIT, MICHIGAN

Burroughs

FIGURING, ACCOUNTING AND STATISTICAL MACHINES SPEED WAR WORK





**INVEST IN  
AMERICA!**

**BUY**

**UNITED STATES  
DEFENSE  
SAVINGS BONDS**



## And Invest in *Yourself* by Credit **STUDY!**

■ Never before has the challenge to *know* been greater. Today's credit executive must *know* his job from A to Z.

He must be prepared for war-time . . . and post-war . . . problems. That requires *background* as well as ability and initiative.

The best background *knowledge* comes from education. That's why the NIC course in Credits and Collections is a "MUST" for 1942.

Return the coupon today to the National Institute of Credit.

Let us tell you how we are prepared to help *you* meet the credit problems of today-and tomorrow!

Is your interest in your credit future worth 3¢? If it is, fill in this coupon and mail it today to . . .

### THE NATIONAL INSTITUTE OF CREDIT

One Park Avenue, New York Dept. 442

Please send me full information about your course in Credits and Collections.

Name . . . . .

Street . . . . .

City . . . . . State . . . . .

Credit and Financial Management . . . . .

"American Fashion First." Mechanical invention and styling are two phases of our pioneering approach to our problems. The Gruen Watchmaker's Guild has originated many other ideas that have greatly affected the industry. Among these may be mentioned controlled distribution, nationally advertised fixed retail prices, individual display boxes with guarantee certificates for watches."

### Modern Methods—Old Ideals

**A**LTHOUGH the most modern machinery and methods are used, the craftsmen at Time Hill retain their traditional Guild methods. Most of the Gruen cases are manufactured at Time Hill and Gruen movements are given their final tests and servicing before being shipped to dealers in the United States and Canada.

Time Hill itself, is a building much in the style of the old Guild-halls. With its terraced landscapes and gardens, it exemplifies a perfect application of the welding of art to industry. "Time Hill" is one of the show places of Cincinnati. Registrants at the Credit Congress who have the opportunity to see this famous plant have a treat in store for them.

The Gruen Watch Company has been identified with the Cincinnati Association of Credit Men since 1914, the year following the last National convention in that city. The company considered the activities of the National Association of vital importance in its nation-wide business, practically all of which is handled on open credit terms.

The company has worked for the development of its local association. Mr. George J. Gruen served on many of its committees and as a local director, Vice President and President. As a former National Director a Past President he is equally well known to our National membership.

Mr. Gruen tells an anecdote illustrative of the amazing strides made in watchmaking during the past century.

"In 1850, a worker at the American Horologe Company, pioneer of the American watch companies, returned home to Europe and boasted that he was working for a firm which manufactured seven complete watches in a day. He was met with in-

credulous laughter. "Where on earth could you sell seven watches in a day?" asked his hearers. Today it is possible for a factory to turn out thousands of watches in a day and yet retain its precision workmanship."

## A Credit Man Talks to Retailers

(Continued from page 18)

ager's personal visit. (He is vitally interested in your success.)

8. Don't accept legal advice of a trick nature. (Credit cannot be granted if the ownership is not a natural one.)

9. Never feel that one of your creditors doesn't know the condition of your account with your other suppliers.

10. Don't alibi—give honest-to-goodness apologies for lateness.

11. Realize that earned discount offered at the rate of 2% ten days means a saving at the rate of 36% per annum.

12. If ever there is serious financial trouble in your business, contact the National Association of Credit Men. They are your creditors' representatives in the credit profession and are sympathetic to the problems of a distressed debtor.

### Guard Your Credit!

**T**HE old time business man went on the theory that if he gave the customer fair value for his money, his part of the relationship had been fulfilled. Today, business realizes that "how" it does business is as important as its product. Goodwill of the customer is as essential as a sound product at a fair price.

The manner in which a merchant pays is largely a matter of habit. Preserve your credit reputation for it is that priceless ingredient—that invisible asset which should be the buyer's personal pride. In many cases the resale value of a drug store is greatly enhanced if the owner has maintained a good credit record. It is true, that in times of great economic stress, the "good pay" customer is normally preferred—if a shortage occurs the uncooperative buyer will suffer, obviously.

Recently, there has been invoked in several industries a system of credit control. In one particular industry, for example, they have a credit clearance bureau by which all manufacturers report overdue customers periodically. These accounts cannot



be sold except C. O. D. by any manufacturer until the past due indebtedness has been liquidated.

It may be well, before closing, to say that the credit executive usually possesses valuable statistics about your own pharmacy and is ever willing to pass it along to you at any time. Take for instance, a retail survey of approximately 2,000 drug stores which shows aggregate net sales for 934 drug stores of \$26,280,200 and for 638 profitable concerns of \$18,242,200 with typical net sales of \$20,800 for the first group and \$22,000 for the second. Cost of goods sold shows 68.5% against 67.3% for the profitable group. Total overhead expense of 28.5% against 26.8%. Salaries of owners, 9.6% against 9.0% for the profitable. Rent, 3.3% against 3.0%. Light and heat, 1.7% against 1.6%. Taxes, 0.9% against 0.8%. Bad debts, 0.4% for both. All other expenses 4.5% against 4.4%. Gross margin (Percent of net sales) 31.5% against 32.7%. Realized mark-up (Per cent of cost) 46.0% against 48.6%. Inventory turnover 3.0% for both.

## Letter Contracts Are Approved by War Department

The War Department released on February 23, 1942, Circular Letter No. 1248 containing instructions covering the accepted form of letter contract, the function of which is to "provide a legal basis for prompt commencement of the work in cases where it is anticipated that delay will be encountered in securing bonds or otherwise in the preparation and approval of the formal contract."

The instructions state that "a letter contract may not be issued until the authority to negotiate and the approval of the award of the formal contract have been obtained where required. The letter contract may then be employed, where it will serve to expedite commencement of work, without further approval. It may not be employed in any case except in conjunction with a proposed formal contract. Where the letter contract is employed, the formal contract must contain a stipulation citing the letter contract and providing that the letter contract and all the terms and condi-

tions thereof are merged in and superseded by the formal contract."

The facilities of the Association's Washington office, 815 Bowen Building, 815 15 Street, N. W., Washington, D. C., are available to members desiring further information in the above.

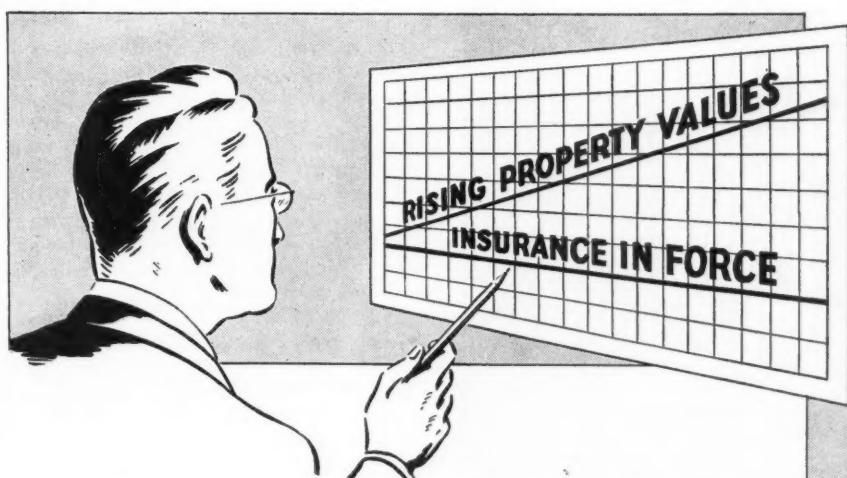
### An Excellent Idea

Some government officials were engaged on survey work in a certain district. They entered the land of a

farmer, who furiously ordered them off his farm. They showed him their blue-paper credentials, and the farmer, very angry, turned on his heel and went into another field.

A minute or so later the roar of infuriated bulls was heard, and a couple of hefty animals tore towards the surveyors, who had to run for their lives.

"Show them the blue paper!" shouted the farmer from a point of safety; "show them the blue paper!"



## Sounding the "ALERT" for Insurance Buyers

Today with increasing costs and difficulties of replacement sound credit counsel includes pointing out the dangerous exposure of under-insurance that now prevails. ★ In every community there is a Home-Town Agent representing Fireman's Fund equipped to analyse risks and recommend coverages. Consult him for your "premium's worth"—the right to feel secure.

STRENGTH • PERMANENCE • STABILITY



Fire • Automobile • Marine • Casualty • Fidelity • Surety

# FIREMAN'S FUND GROUP

FIREMAN'S FUND INSURANCE COMPANY

HOME FIRE & MARINE  
Insurance Company

OCCIDENTAL  
Insurance Company

★

OCCIDENTAL  
Indemnity Company

New York • Chicago • Los Angeles • San Francisco • Boston • Atlanta

DEPENDABLE INSURANCE SINCE 1863



**Insist that your fire insurance bears these outstanding symbols**



**NATIONAL UNION  
FIRE INSURANCE  
COMPANY**  
*Pittsburgh, Pa.*  
**DEPENDABLE PROTECTION**

**PREPARED**  
**-strong reserves**



**PREPAREDNESS** is not a new word to those responsible for the development of these two strong American fire insurance companies. Policyholders' security has always come first in their conduct of business.

So today the financial statements of these companies disclose these things—a high degree of liquidity, strong reserves, high-grade investments, all of which are strong preparedness measures.

**MILLERS NATIONAL**  
*Insurance Company*  
**ILLINOIS FIRE**  
*Insurance Company*  
**HOME OFFICE: CHICAGO**

## Defense Committees Report Activities in Several Cities

(Continued from page 25)

the right parties that can give them relief. In some cases it is the Federal Reserve Bank, in others it is the OPM, others the Department of Commerce and so on. We are not trying to solve the problems of our members but endeavoring to lead them to the people who can solve them, if there is any solution. Our Chamber of Commerce, both local and state, are doing a fine job, as well as the Manufacturers Association, and we are not trying to get into their field of activity. Harvey T. Hill.

Fort Wayne: Our Defense Committee is to work in cooperation with our Municipal Committee and also to serve as a Defense Committee for our National Association. In reference to the local Municipal Committee, we are already functioning by being appointed to assist in the tabulation of vital information which will be secured from all householders during the week of January 19th, which will involve approximately some 100,000 cards. Fred K. White.

Los Angeles: We had a meeting last Tuesday with one of the officials of the local War Production Board and submitted your recent proposals. We received from the government representative some other recommendations, such as encouraging our manufacturing members to file facility records with the local Board and to make application for being a part of their mailing list, which includes a bulletin issued twice weekly giving brief information concerning articles wanted by the government. We have an appointment next Tuesday, the 10th, for our committee to personally visit the War Production Office here and meet those in charge, as well as some of the industrial and technical engineers. We have found the representatives of this department to be appreciative of any effort on the part of the Association and agreeable to our willingness to assist. S. P. Chase.

Birmingham: We heartily agree with your expression that no stone should be left unturned by our Association in co-operating with industry and the Government. I know that the information you have prepared will be most helpful to our Local Group; and will form a comprehensive guide toward solving the crisis which will surely affront our smaller shops and manufacturing units as war restrictions deplete their source of supply movement. J. G. Holland.

Binghamton: You may be interested to know that I had the complete text of the article on Defense production mimeographed and sent a copy to each of our local members. Also, I took extra copies to our big meeting on January 26th and gave them to our guests who represent other businesses in the city so they might know the very comprehensive idea we have had presented to us here by our national organization. We felt the time was exactly right to get under this movement

when the speaker of our January meeting was to be a top executive in one of the largest industries in the country—International Business Machine Corp. of Endicott, N. Y.—and this industry is now in the throes of gearing to the defense program. Bess R. Havens.

Boston: So far, the work of the Defense Committee has been making contacts as you suggested in your release of February 2. We have notified the Boston Chamber of Commerce, New England Council, and Associated Industries of our Defense Committee appointment, and are co-operating wherever possible with these organizations. We have close contact with Mr. Hickey and Mr. Hall of the local War Production Board. Our recent bulletins have carried articles relating to the Defense Production program, copies of which have no doubt come to your attention, as the National Office is on our mailing list for all bulletins. J. M. Paul.

Syracuse: There have been two luncheon meetings held by our Defense Committee. It has been the understanding of the members of the Committee, as outlined by letters received from National Headquarters in New York, that its activities should be primarily in the interests of the small business man. In this connection it is thought that perhaps by reaching out into surrounding communities where there is little or no organization of such groups it might be possible to have representatives from nearby points attend a future meeting for a round-table discussion and our Secretary, Mr. Joe Reese, is therefore making contact through the Secretaries of the Chambers of Commerce of nearby towns and cities.

## War Problems Are Dinner Subject at Newark Gathering

"Business Survival During the War Period" was the subject of a special dinner meeting held at the Down Town Club in Newark on Monday evening, March 30th. Executive Manager Heimann, of the National Association of Credit Men, Albert W. Hawkes, President of the Chamber of Commerce of the United States, George K. Batt, President of the New Jersey Chamber of Commerce, and Reeves L. Kennedy, New Jersey State Director, Contract Distribution of War Production Department, were among the speakers. The meeting was sponsored by the New Jersey Association of Credit Men in conjunction with the New Jersey Society of Certified Public Accountants. Lawrence C. Ward, financial representative of the War Production Board, also was on hand to answer questions.



Wide Contract Power  
Extended Government  
By Executive Order

Under Executive Order 9001, the President authorized "the War and Navy Departments and the United States Maritime Commission to enter into contracts and into amendments or modifications of contracts, within the limits of the amounts appropriated therefor, without regard to the provisions of law relating to the making, performance, amendment or modification of contracts. The authority conferred may be exercised by the Secretary of War, the Secretary of the Navy or the United States Maritime Commission respectively or in their discretion and by their direction respectively may also be exercised through any other officer or officers or civilian officials of the War or Navy Departments or the United States Maritime Commission."

The contracts authorized to be made under the Order include "agreements of all kinds (whether in the form of letters of intent, purchase orders, or otherwise) for all types and kinds of things and services necessary, appropriate or convenient for the prosecution of war."

The above mentioned departments may by agreement "modify or amend or settle claims under contracts heretofore or hereafter made, may make advance, progress and other payments upon such contracts of any percentum of the contract price, and may enter into agreements with contractors and/or obligors, modifying or releasing accrued obligations of any sort, including accrued liquidation damages or liability under surety or other bonds, whenever, in the judgment of the War and Navy Departments or the United States Maritime Commission respectively the prosecution of the war is thereby facilitated."

It is further provided by the Order that "advertising, competitive bidding and bid, payment, performance or other bonds or other forms of security need not be required."

"No contract or modification or amendment thereof shall be exempt from the provisions of the Walsh-Healey Act (Stat. 2036) because of being entered into without advertising or competitive bidding, and the provisions of such act, the Davis-Bacon Act, as amended (49 Stat.

WHAT ONE  
FINANCE COMPANY IS DOING  
FOR WAR-TIME INDUSTRY

Industry must organize promptly all available facilities—manpower, plant, machinery, material and money—to win the war.

For thirty years we have been extending financial assistance to American Industries and are now especially desirous of assisting those established mills, manufacturers and wholesalers engaged in or seeking to engage in war-time production. We have Invested Capital of \$66,000,000, Resources of \$450,000,000, and during 1941 financed over \$1,000,000,000 of receivables for our customers.

If your present financial arrangements are inadequate or unsatisfactory, possibly we can help you. We have no "ready made" financing plan to submit, but we should like to consider your problem with you and then try to adjust a plan to meet your requirements. We eliminate much of the red-tape and time-lag usually involved in financing and we do not interfere with the management of your business.

Our financing facilities are available to supply established concerns with sufficient cash or credit to permit their acceptance of Government contracts and to speed up production under such existing contracts. We supply working capital at reasonable rates upon current open accounts and inventories and for the purchase of machinery. We will also finance the enlargement of plant and equipment facilities under "Certificates of Necessity" issued by the Government.

We will purchase your current open accounts, including those for war material, *without notification* to your customers—and *limit* your risk of credit loss thereon—and permit credits and collections to be handled by you as usual. Our "Factoring" subsidiaries will finance such receivables *with notification* to your customers and relieve you of *all* credit, collection and accounting expense and all risk of credit loss.

CONDENSED CONSOLIDATED BALANCE SHEET	
COMMERCIAL CREDIT COMPANY AND ITS SUBSIDIARIES	
As of December 31, 1941	
ASSETS:	LIABILITIES, CAPITAL AND SURPLUS:
Cash.....\$ 50,174,282.91	Unsecured Short Term Notes.....\$276,837,500.00
Accounts and Notes Receivable..... 394,026,912.92	Accounts Payable, accruals and taxes ... 16,065,955.81
Repossessions in Company's possession, at depreciated values..... 355,172.87	Notes Payable, unsecured, Due 1943-1949 46,500,000.00
Investments in Securities..... 5,056,592.65	Due customers when receivables are collected and dealers participating loss reserves..... 14,340,275.01
Deferred Charges..... 1,808,048.46	Reserves for losses and contingencies ... 9,972,476.90
Furniture and Fixtures..... 7.00	Deferred Income and Charges—unearned 20,970,299.66
<u>\$451,421,016.81</u>	Capital Stock and Surplus:
	Minority Interests..... 55,215.78
	Preferred Stock, 4¼% \$100 par value..... 12,193,800.00
	Common Stock, \$10 par value..... 18,414,730.00
	Capital Surplus 17,672,463.42
	Earned Surplus..... 18,398,300.23
	<u>66,734,509.43</u>
	<u>\$451,421,016.81</u>

Note: This Balance Sheet is condensed from the Annual Report to Stockholders, December 31, 1941, to which you are referred for analysis of items condensed herein. Copy furnished if requested.

COMMERCIAL CREDIT COMPANY  
BALTIMORE  
NEW YORK CHICAGO BOSTON SAN FRANCISCO LOS ANGELES PORTLAND, OREGON



1011), the Copeland Act, as amended (48 Stat. 948), and the Eight Hour Law as amended by the Act of September 9, 1940 (Public No. 781, 76th Congress) if otherwise applicable shall apply to contracts made and performed under the authority of this Order."

By Executive Order 9023, extension of the provisions of Order 9001 was subsequently made to the Treasury Department, the Department of Agriculture, the Panama Canal, the Federal Works Agency, the Government Printing Office, the National Advisory Committee for Aeronautics and such other agencies as may from time to time be designated.

## Plant Protection of Great Importance During War Period

The protective organization in each industrial plant, business establishment or public building should consist of a Plant Defense Coordinator and Heads of Fire,

Police, Medical and Maintenance Divisions.

The office of the Plant Defense Coordinator should provide for communication with the civil air raid warning system, control of transportation facilities, liaison with local government authorities.

The Coordinator should develop an intra-plant communication system that permits of immediate transmission of messages between his office and squads organized under the four Divisions. The system should be independent of the telephone, using runners or cyclists. A distinctive signal should be arranged to indicate a gas attack.

Personnel should first be trained as individuals, then as squads, finally the entire organization. While small plants may require only a simple system, the following four essentials must be present.

### Four Divisions Needed

**FIRE** Fighting Division, headed by a responsible man in complete charge of fire-fighting men, and equipment, heavy and portable. A Police

Division, in charge of the plant Police Chief, with general responsibility for maintenance of discipline and development of morale. The Plant Physician, one qualified to handle poison-gas cases, be in charge of all ambulance service and responsible for the establishment of first aid stations manned by competent employees.

## Mathematics of Installment Credit

A formula taken from a contemporary English magazine is reproduced below as being of possible interest to those dealing in instalment credit:

Let  $x$  be the usual selling price, i.e., list price of the appliance;  $n$  be the number of instalments;  $r$  be the amount remaining unpaid at the end of each period when an instalment is due. If it is decided to charge 5 per cent as interest and expenses on the diminishing amount due from the purchaser at the end of each instalment period, the amount of  $r$  would be—

$$1 + \left( \begin{array}{cc} 5 \times 1 \\ 100 & 4 \end{array} \right) = \$1.0125$$

Let  $y$  be the amount of each instalment, then, if the first instalment is paid when the agreement is signed,  $\$(x-y)$  is the amount then outstanding; and  $(x-y)r-y$  is the amount outstanding when the next instalment has been paid.

Hence, when  $n$  instalments have been paid, the amount then outstanding is—

$$xrn-1-yrn-1-yrn-2-yr3-yr2-yr-y,$$

and if the total number of instalments needed to liquidate the debt be  $n$ , then—

$$xrn-1-yrn-1-yrn-2-yr3-yr2-yr-y = 0,$$

$$\text{and } \therefore xrn-yrn-yrn-1-yrn-2-yr3-yr2-yr = 0$$

and by subtraction,

$$xrn-xrn-1-yrn+y = 0;$$

$$\therefore xrn-1(r-1) = y(rn-1).$$

$$\text{Hence } y = xrn-1(r-1)$$

$$rn-1$$

We feel that this is the formula for which our readers have been waiting in order to grapple successfully with their instalment credit problems.

Canadian Credit Men's Journal.

## "I Don't Believe It, Mr. Benge!"

The comptroller of a large public utility company recently remarked emphatically: "I don't believe, Mr. Benge, that aptitude tests spot the abilities of applicants." So we staged a test of the tests on 25 employees. Below are the results. See for yourself.

ABILITY (fifths)	AVERAGE SCORE IN TEST	
	Clerical	Mental
Highest	86	91
High	73	80
Average	64	69
Low	51	63
Lowest	37	56

If you would like a hand tailored testing program which will detect the duds, write

## BENGE ASSOCIATES

Management Engineers

20 No. WACKER DRIVE • CHICAGO



# NEWS ABOUT CREDIT MATTERS

A section devoted to  
Credit Association affairs

April, 1942

Copy deadline  
15th of month

## Important Special Notice to N A C M Members

Salt Lake City, Utah, March 26, 1942

Developments in connection with the proposed revision of our National Constitution have reached the point where it will be inadvisable to bring this matter up for consideration at the Cincinnati Convention. The many suggestions, most of them given in all sincerity, in my opinion, make it impossible for your committee to adequately weigh these recommendations, make revisions, and to re-submit the Constitution to the local Associations before Convention time.

Therefore with the sanction of the Executive Committee of our National Board of Directors and also of the National Committee appointed for the presentation of the proposed new Constitution, I announce that the Constitution will not be presented at the Cincinnati Convention.

Ray C. Wilson

President, National Association of Credit Men

### Tacoma Is Host at Conference of Northwesters

Tacoma: The 25th annual Northwest Conference was held here on Thursday and Friday, March 26th and 27th. Four hundred persons connected with the credit profession in Washington, Oregon and Idaho were on hand for the conference. The Associations represented were Bellingham, Seattle, Spokane, Lewiston and Portland.

National President Ray C. Wilson, of Salt Lake City; Assistant Executive Manager David A. Weir, of New York City, and Western Division Manager Owen S. Dibbern, of San Francisco, represented the National organization.

Orren H. Judd, West Coast Grocery Co., Spokane, president of the Council of the Credit Men's Associations of the Pacific Northwest, was the presiding chairman.

After the opening session on Thursday morning the delegates to the conference divided into industry groups and there discussed problems especially applicable to their own industries. On Thursday evening the members of the conference gathered at a victory dinner and heard a stirring and inspiring talk by Reno Odlin.

### Cincinnati Committees Are Hard at Work on Congress Details

#### April 30 to Mark Close of Annual Membership Race

The month of April marks the close of the annual membership campaign. The winners in the several classes will receive the awards at the Cincinnati Convention.

As usual, a close race is indicated in the Class A Division with Chicago, Detroit, New York and Indianapolis being the four leaders. However, the race is so close that this order might very easily change during the days before April 30th when the books close for the award computation.

In the Class B Division Philadelphia has quite a lead over Cincinnati, Oakland and Cleveland. Philadelphia, by the way, has shown a wonderful record with nineteen months of consecutive net gain. The net gain for Philadelphia in February was 29.

(Continued on page 38)

Advance registrations for hotel rooms at Cincinnati indicate that attendance at this year's Credit Congress may even surpass the registration at conventions in the past few years. Credit executives have indicated their desire to attend the Credit Congress this year as a means of gaining valuable information on the new problems that they are now facing because of war production.

This subject, the influence of war production on business, will be discussed in many of the long list of industry groups which will meet on Wednesday, May 13th. The programs for many of these industry sessions can be found on page 22 in this issue.

The general Convention program for this year will not be announced until just before the convention, as war conditions have made it quite difficult to get commitments from speakers so far in advance.

However, one of the big features of the program this year will be an address by Governor John L. Bricker of Ohio. It will be recalled that during the last presidential





Picture taken at a recent meeting of Credit Congress Committee chairmen. Front row (left to right) George J. Gruen, General Convention Chairman; O. S. Larkby, Program; David A. Weir, Assistant Executive Manager, New York; William A. Kroeger, Co-Chairman. Top row (left to right) Harry W. Voss, Secretary-Manager, Cincinnati A. C. M.; J. A. Nickerson, Executive Committee; J. G. Gutting, Association Treasurer; Russell Deupree, Co-Chairman; F. E. Bourbonnais

campaign Governor Bricker was mentioned in many quarters as possible presidential timber. However, he declined to permit his name to be presented because of the fact that Senator Taft, also from Ohio, had already announced his candidacy.

Another item on the program is an address by Mayor Stewart of Cincinnati, recognized as one of the leading public speakers of the lower Ohio area.

General Convention Chairman George J. Gruen, a former National President of N.A.C.M., is holding frequent meetings with his committees and thus working out final details for the entertainment of the delegates at the Cincinnati Convention. Extensive plans are also being completed for the entertainment of the wives and visitors of credit executives under the supervision of Mrs. Russell Deupree as chairman, Mrs. O. E. Dreutzer, Mrs. George J. Gruen, and Mrs. Ralph Roth Haas as co-chairmen.

Otto E. Dreutzer, Chairman of the Entertainment Committee, has arranged a special treat for convention delegates arriving Sunday morning who wish to attend a double header ball game between the Cincinnati Reds and the St. Louis Cardinals. A special section in the grandstand has been reserved for convention delegates and guests and tickets for the ball game will be issued in the order received and up to the limit of the reservations made. Delegates who plan to arrive in Cincinnati in time for the opening of the ball game, which is at 1:30 Eastern War Time, should make application for their tickets by April 22nd. Just drop a note to Otto E. Dreutzer, Chairman Entertainment Committee, c/o Cincinnati Association of Credit Men, 720 Temple Bar Bldg., Cincinnati, Ohio.

Delegates are urged to make advance registration so as to be sure to have their hotel accommodations provided for and thus reduce the time for registration at the start of the convention. Those who send advance registrations with their checks but find at the last minute that they cannot attend will have their money refunded.

## O'Connor Heads Fraud Group in New York City

Frederick J. O'Connor of H. A. Caesar & Company, New York City, who was recently appointed chairman of the Fraud Prevention Committee by Harry J. Delaney, President of the New York Credit Men's Association, has announced the names of the members of the committee to assist him in the supervision of the work covering the investigation on commercial fraud and in the raising of finances to carry out that important service.

Mr. O'Connor as well as Wm. G. Betsch of William Iselin & Company, Inc., Advisory-Co-chairman and Lester Prink of J. P. Maguire & Company, Inc., Co-chairman, are well known as veterans in the fight against the activities of the commercial racketeer as are all the other members of the committee.

In his recent report to the supporters of the Fund, the Chairman called particular attention to the fact that present conditions have delayed contemplated prosecutions in several of the cases, but nevertheless he is emphatic in his belief that all cases involving alleged violations of the laws covering commercial fraud, will be presented to the court in due time.

The Chairman's report also sets forth that at the present time, 15 individuals are awaiting trial on charges involving the alleged violations of the Federal Laws.

Mr. O'Connor commented on the recent conviction and sentence of Philip Levine alias Favel Levin of the Roman Shirt Company, Inc. who after a trial lasting two days entered a plea of guilty to the indictment returned against him charging concealment of assets in violation of the National Bankruptcy Act and for which violation Levine was sentenced by Federal Judge Grover M. Moscovitz to a term of imprisonment of three years and six months.

This case, as the Chairman pointed out,

was a subject of investigation over a period of several years by the Fraud Prevention Department and that it was through their efforts and cooperation with the representatives of the Federal Bureau of Investigation that the matter was brought to a successful conclusion.

Members of the committee assisting Mr. O'Connor are:

George Beisheim, Sidney Blumenthal & Co., Inc. #1 Park Ave.

K. F. Braun, Commercial Factors Corp. 2 Park Ave.

Wm. H. Corin, L. F. Dommerich & Co. Inc. 271 Madison Ave.

H. C. Folcke, A. H. Vandam Co., Inc. 64 Worth St.

William Fraser, J. P. Stevens & Co. Inc. 350 5th Ave.

E. P. Lewis, James Talcott, Inc. 225 4th Ave.

R. B. Matthews, John P. Maguire & Co. Inc. 370 4th Ave.

J. L. Redmond, Crompton-Richmond Co., Inc. 1071 6th Ave.

Wm. Sage, Jr., N. Erlanger Blumgart Co., Inc. 354 4th Ave.

M. P. Schapp, Pepperell Mfg. Co., 40 Worth St.

Wm. H. Stonaker, Mill Factors Corp., 354 4th Ave.

James A. Stack, Stern & Stern Tex. Imprs. Inc. 1359 Broadway.

R. G. Woodbury, Textile Banking Co., 55 Madison Ave.

## Major Bartlette Dies

New Orleans: Major Talbot J. Bartlette, known as the father of the New Orleans Credit Men's Association and the first secretary of this organization when it started in March 1896, died on March 12th at Pasadena, Calif., age, 95. He served as secretary-treasurer of the New Orleans Credit Men's Association until his retirement at the age of 83 when he went to Pasadena to live with his daughter, Mrs. Henry E. Belden, Jr.



## R. W. Watson Heads Natl. Committee On Resolutions

New York: The appointment of the National Resolutions Committee to serve at the Cincinnati Credit Congress has just been announced by National President R. C. Wilson. The committee is composed of the following: District #1: Camilo Rodriguez, Davol Rubber Co., Providence, R. I.; District #2: Harry J. Delaney, Vice-Pres., Meinhard, Greef & Co., New York, N. Y.; District #3: J. H. Wendt, Cr. Mgr., Graybar Electric Co., Richmond, Va.; District #4: Clair W. Stille, c/o General Electric Sy. Co., Lexington, Ky.; District #5: Herman H. Faulstich, First National Bank, Chicago, Ill.; District #6: T. B. Hendrick, Sec., Collin-Dietz-Morris Co., Oklahoma City, Okla.; District #7: J. G. Holland, Sec.-Treas., Moore-Handley Hdw. Co., Birmingham, Ala.; District #8: Emerson Jones, Div. Creditman, Marketing Dept., Continental Oil Co., Lincoln, Nebr.; District #9: Fred L. Andrews, Davis Bros. Drug Co., Denver, Colo.; District #10: R. W. Watson, Chairman, Bank of America, Los Angeles, Calif.

Those having resolutions to present for the consideration of the National Resolutions Committee should send them to Paul Haase, at the National Association offices in New York, who will serve as secretary of this committee.

## Chicago ACM to Fight Fraud With Special Program

President Siegfried Overstraeten of the Chicago Association of Credit Men recently announced the formation of a Fraud Prevention Committee to be a permanent addition to his organization, which Committee will work in close cooperation with the Fraud Prevention Department of the National Association of Credit Men.

Mr. Elmer T. Larson of the W. D. Allen Manufacturing Company has been selected as the Chairman of the Committee which is composed of persons who have been active in the past in combating the activities of the commercial cheat, said committee being as follows:

J. M. Bireley, J. W. Butler Paper Co.  
C. S. Hogarth, Chicago Tribune.  
Frances Sauer, Peerless Confection Co.  
George P. Duggan, Continental-Illinois Bank.  
D. V. McCarthy, Carter & Holmes.  
F. M. Smith, Norton Lasier Co.  
A. L. Podrasnik, Chicago Times, Inc.

President Overstraeten advised Mr. Frederick H. Schrop of the National Association of Credit Men that this distinct and valuable service is to be made available to their entire membership and that same is one more step in the support of the slogan "Guard the Nation's Profits."



Miss Wilks

## Miss Edna Wilks is Chairman of Congress Women

The program at the Cincinnati Credit Congress for the Credit Women's Clubs is now in the completion stages. Miss S. Jane White, of the Cleveland Ice Cream Company, national chairman of the Credit Women's Clubs, expects a record attendance from all the 36 clubs now enrolled in



Miss White the national organization.

## Western Division Is Offered 4-Day Credit Seminar

A Western Division Credit Seminar has been arranged by the Leland Stanford University, Palo Alto, Calif., as a special feature of the annual Business Men's Conference for Senior Executives, which has been conducted by Leland Stanford University for the past several years. The dates for the Credit Seminar will be July 20th to the 24th. The registration fee is \$20.00, with an additional charge of \$5.00 a day for room and meals.

The plan of the program is to have a lecture each morning of the four days on business subjects. In the afternoon there will be two one-hour lectures on credit subjects. These afternoon lectures will be conducted in co-operation with the Western Division chapters of the National Institute of Credit.

Those desiring further information or wishing to make advance registration should correspond with Owen S. Dibbern, Manager, Western Division.

Miss Edna Wilks, of the Grace A. Rush, Inc., Cincinnati, and a member of the Board of Directors of the Cincinnati Association, has been made chairman of all the convention credit women's club activities.

As usual, the first gathering of the women's clubs will be on Monday, May 11th, at a luncheon in the Cincinnati Club. On Tuesday, the Credit Women's Breakfast will be held in the Netherland-Plaza, and the annual Credit Women's Dinner will be on Tuesday evening at the Cincinnati Club.

★  
47th Annual NACM Credit Congress  
Cincinnati May 10-14, 1942  
★



Officers and Directors, St. Paul Association of Credit Men. (Top row, left to right) H. T. Ready, U. S. Bedding Co., Councillor; E. E. Schoen, Rex Oil Co.; H. L. Peters, First Natl. Bank; L. M. Nelson, Northern Jobbing Co. (Seated) T. E. Reynolds, Secretary-Treasurer; J. H. Cooper, Webb Publishing Co., President; W. T. Miller, Twin-City Wholesale Grocery Co., Vice-president; G. L. Johnson, Farwell, Ozmun, Kirk Co., Director.



## National Institute Activities

**San Francisco**—A series of highly informative meetings have been held during the fall and winter months by the San Francisco Chapter of the NIC. Among the subjects covered were the following: *Consumer Credit Regulations*, speaker, H. F. Slade, Federal Bank of San Francisco. *Financing of Accounts Receivable*, Round table, Jackson M. Reed, Ass't Cashier, Bank of America; Mr. Stewart, Bank of America; Chas. H. Sondhaus, Pres., Credit Mgrs. Ass'n and Comptroller National Lead Co.; Richard K. Davisson, Ass't Credit Mgr., Hamilton & Pacific Co. *Mechanics Liens*, Round table, Arthur Colomb, Glens Fall Indemnity Co.; Earl B. Myers, Attorney-at-law; N. O. Millar, Soule Steel Co.; A. J. McGarry, Credit Bureau of Credit Mgrs. Ass'n. *An Engineer Looks at the Defense Problem*, speaker, F. T. Letchfield, Consulting Engineer and Ass't Vice Pres. Wells Fargo Bank & Union Trust Co. *1941 Failures*, speaker, Grant Wren, Attorney for Board of Trade. *What Sales Management Expects of the Credit Department*, speaker, J. E. Holbrook, Ass't General Sales Mgr., The Paraffine Companies, Inc.

**Spokane**—New officers of the Spokane Chapter NIC for the current year are: Wm. E. Morrison, Washington Co-op Egg and Poultry, Pres.; H. F. Lamb, Vice Pres., Westinghouse Electric Supply Co.; R. G. Fulton, Treas., Motor Supply Co., Inc.; Charles McCoy, Secy., Armour and Co.

**Chicago**—Inaugurating its series of monthly meetings, which are devoted to the exposition and analysis of developments at a typical creditors' meeting, the Chicago Chapter NIC on February 17, with approximately 100 in attendance, took part in a lengthy questioning of the "Debtor" in regard to his affairs. The case was then placed in the hands of a creditors' committee chosen from the audience who will study it and report at the next meeting. Principal parts in the presentation were handled by Lee Coombs, Al Sherdahn, George Hedman, and Charles Bonson, Manager of the Chicago Adjustment Bureau.

The local Educational Committee has arranged for a continuation of the series of lectures on Insurance which proved so popular last fall. The first meeting was held Monday evening, March 16, on "War Risk Insurance." The speakers were: E. D. Lawson, Vice-Pres., Fireman's Fund Insurance Co., whose subject was "War Risk Insurance in Conjunction with and as it Relates to Marine and Transportation Insurance . . . Domestic and Water-Borne"; and W. M. Sheldon, Vice-Pres., W. A. Alexander & Co., whose subject was "Fixed Property War Risk Insurance."

**South Bend**—Revival of credit education work within the local Association was completed in a thorough manner under the leadership of C. S. Haffner, Ass't Treas.,

of the South Bend Bait Co., who is Educational Chairman, and Kenneth A. Ball, Association Secretary, and through cooperative efforts of the South Bend Association of Commerce and the Retail Credit Bureau.

At the March 4th class meeting the guest instructor was Ray Nelson, Ass't Secretary, First Bank & Trust Co., and the following week, J. Ray Storey, local Association President, carried the role. Others who contributed to the instructional program were Kenneth Erhardt of the First Bank & Trust Co., and Lloyd Waterson of the Retail Credit Bureau.

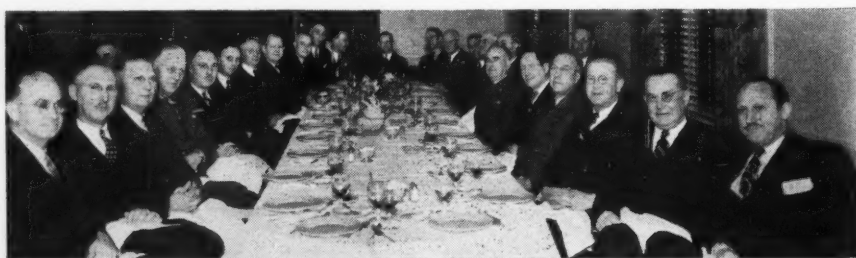
Plans for continuing classes next Fall are under consideration and it is hoped that a number of present students will continue and, through affiliation with the National Institute of Credit, qualify in time for the Associate and Fellow awards of the NIC.

**Peoria**—The local Chapter's class in Financial Statement Analysis completed its study on March 9, and the students received their certificates at the monthly dinner meeting of the Peoria Association on March 24, at which W. H. Franklin, Ass't Controller of the Caterpillar Tractor Co., was the speaker. The work of the National Institute of Credit was explained by the local Educational Chairman, H. G. Eckhoff, Ass't Credit Manager, Keystone Steel & Wire Co. The Financial Statement Analysis course was instructed by J. M. Seamon of Gauger & Diehl.

**Louisville**—The Louisville Chapter N. I. C. will join with the local Association at the Joint Annual Spring Dinner on April 14th at the Kentucky Hotel to hear N. A. C. M.'s Executive Manager, Henry H. Heimann.

**Shreveport**—Fifteen students completed the course in Analysis of Financial Statements and took the recent examination in order to qualify for the National Institute of Credit certificates. Under the sponsorship of the Shreveport Association, the course was conducted by J. G. O'Brien, Vice President and Trust Officer of the Commercial National Bank of Shreveport.

**Albany**: Clark V. Hendee, North American Cement Corp., who has served as secretary of the Albany Association of Credit Men, has been transferred to New



The Wholesalers Credit Association of Oakland recently celebrated its seventeenth birthday which was attended by all of the Past Presidents with the exception of two who are now residents in other cities. Shown in the picture above are reading from left to right: Dan Bronson, Director; P. O. Pedersen, Past President; Homer Scarborough, Past President; George A. Kreplin, in back, Director; Clem Ady, Director; Clarence Jorgensen, Director; Ray F. Buermann, Past President; O. J. Dempsey, Past President; Willie Osburn, Past President; William Mordy, Past President; George Stockfleth, Vice President; Ken Bugbee, President; M. A. Dent, immediate Past President; K. S. Thomson, Secretary; V. D. Stuart, Past President and current National Director; Paul Pfeuger, National Director; B. E. Bryan, Past President; Harry J. Harding, first President of the Association; Lee Newbert, Past President; in back, Ralph E. Fisher, Past President, Past National Director, and Past Vice President of the National Association of Credit Men; Stanley Allen, Director; George Melby, Director; Vernon Parsons, Director; J. L. Tuttle, Director and Owen S. Dibbern.

## News from Local Associations

**Chicago**: A "Books for Buddies" campaign has been put on by the Chicago Association of Credit Men, in cooperation with the American Library Association and other similar organizations. Members of the association have been urged to send copies of books to the Association headquarters . . . either books from their own shelves, or new books from the stores. These will be turned over to those in charge of the campaign and forwarded to the men in the service.

**Chicago**: Aline E. Hower, Letter-Counselor, will conduct another Letter-Writing Clinic under the auspices of the Educational Committee of the Chicago Association of Credit Men on the following dates:

April 20, April 22, April 24, April 27, April 29.

The sessions will be held in the evening in Room 1475, the Merchandise Mart.

**Hartford**: The Hartford Association held its annual insurance meeting on March 24th when it heard an interesting talk by T. Cushman Foster of Travelers Insurance Company on "Casualty Insurance."

**Sioux City**: The many friends of L. Motz will be pleased to know that L. Motz, of Armour & Company, Sioux City, is recuperating at the Methodist Hospital there after a severe operation late in March.

**Minneapolis**: The Minneapolis Association of Credit Men and Associated Creditors, Inc., are now in their new quarters, occupying most of the fifth floor of the Thorpe Building. This move was necessitated by the need of increased facilities to serve the wholesaling, manufacturing and banking credit managers of this city and the northwest, and to provide the necessary added space to house the services formerly rendered by the Northwestern Jobbers Credit Bureau.

**York City**. Donald M. Terry, of the National Commercial Bank and Trust Company, has been named secretary in his place.



## New York Credit Women Present \$1,000 to Red Cross

New York: The New York Credit Women's Club has presented more than \$1,000 to the American Red Cross as a result of a money raising campaign centered around the disposal of a radio donated by Miss Lillian M. Guth, of Emerson, New York Inc.

The total of the Red Cross Fund was announced at a dinner meeting held at the Fifth Avenue Hotel.

Miss Catherine Cohen, of New York Girl Coat Co., proposed raising a fund within the Women's Club for the assistance of unemployed members.

The meeting scheduled for April 16th will discuss a symposium of credit problems under war conditions and at the May 7th meeting Harry E. Taten, C.P.A., will talk on "Analysis of Financial Statements."

## Credit Leaders Named on Panel of Arbitrators

New York: The American Arbitration Association announces the recent appointment of several prominent members of the National Association of Credit Men to the Panel of Arbitrators of that organization. The appointees are: George J. Gruen, chairman of the Board, Gruen Watch Company, Cincinnati, Ohio, former President and Director of the National Association of Credit Men and former President of the Cincinnati Association of Credit Men; F. J. Squires, Manager of Credits and Accounting, The Sherwin Williams Company, Newark, New Jersey; Allan G. Campbell, President-Treasurer, Westcott Paper Products Company, Detroit, Michigan; A. August Belmonte, Senior Credit Man, Carbide and Carbon Chemical Corporation, New York City.

## Zebraffairs

San Francisco: The Grand Zebratary of the Royal Order of Zebras announces that the organization is looking forward to a grand round-up at Cincinnati with a burst of activity in the membership department between now and the end of April. The national round-up of Superzebs, Zebartaries and Zebras will be held as usual at the Cincinnati Congress. Plans for the annual Zebra dinner will be announced in the convention program.

Toledo: John G. Kettelman, Exalted Superzeb, has called all Zebras for a meeting on April 10th. This will be the annual round-up at which officers for the ensuing year will be elected.

★  
47th Annual NACM Credit Congress  
Cincinnati May 10-14, 1942  
★

## Our Distaff Side

Rochester: On March 30th the Women's Group of the Rochester Association entertained at an "Association Night." The speaker was C. A. Thayer, of the R. T. French Company, Rochester, who told of what this country faces regarding its spice supply in the near future. The club has made a \$25.00 donation to the Red Cross.

Buffalo: The monthly meeting of the Credit Women's Club of Buffalo was held at the "Westbrook" on March 10. "The Economics of Total War" was the subject of Rev. John J. Shea, S.J., professor and consultant in economics at Canisius College. The meeting was arranged by Florence Godfryd as hostess and Alberta Woodward, chairman of the program committee.

Tacoma: The Tacoma Credit Women's Club held its monthly meeting on March 9th. This meeting marked the fifth anniversary of the Club and the occasion was celebrated with a birthday cake. Following the dinner a brief resumé of the high lights during the past five years was given by one of the first charter members. The business meeting was confined to formulating plans for the Pacific Northwest Conference which was held in Tacoma March 19-20. A Victory Dinner was given Thursday evening, March 19th, for credit women and credit men's wives.

Minneapolis-St. Paul: Twin City credit women arranged a very successful "get-together" on March 12 when the St. Paul and Minneapolis WCW Clubs held a joint dinner meeting. Dr. Francis M. Boddy, assistant professor of economics at the School of Business, University of Minnesota, spoke on "American Business on War Basis". Professor Boddy cited the latest statistics of the U. S. Dept. of Commerce and presented estimates of what America must produce so that the United Nations may win the war.

Chicago: New officers of the Credit Women's Club of Chicago have been elected and installed as follows: President: Myrtle Bickelhaupt, Johnson Suture Corp.; Vice-President: Florence E. Griffith, J. D. Wallace & Co.; Treasurer: May E. Nyhan, Simonds Saw & Steel Company; Recording Secretary: Ruth C. Johnson, Century Metalcraft Corp.; Financial Secretary: Mary Olsen, Crown Rheostat & Supply Co.; Corresponding Secretary: Anita L. Krueger, Scholl Mfg. Co., Inc.

Cleveland: The March 10th meeting of the Credit Women's Club heard an interesting talk by Professor Thomas J. B. Wenner, head of the Department of Political Science at Cleveland College. Professor Wenner recently returned from a 10,000 mile tour of the Caribbean and northern coast of South America and had some very interesting things to say about "Our Relations with South America".

## Chicago ACM to Vote on Officers at April 15 Meet

Chicago: Under a recent change in the constitution and by-laws as approved by the members, the annual election of officers and directors of the Chicago Association of Credit Men will take place on April 15, instead of in May, as before.

The Nominating Committee has submitted the following ballot for the election: President—G. H. Nippert, The Procter & Gamble Distributing Company; First Vice-President—C. L. Holman, Wilson Brothers; Second Vice-President—O. A. Smith, The Pepsodent Company; Treasurer, H. H. Faulstich, First National Bank of Chicago; Directors (3 years): Emily Davidson, Chicago Pump Company; J. J. Hayes, Westinghouse Electric & Mfg. Co.; A. S. Heiser, The Flintkote Company; A. F. Mische, Harris Trust & Savings Bank; R. C. Perlick, Acme Steel Company; W. W. Rogers, The Pure Oil Company; R. L. Seaman, The Florsheim Shoe Company.

In accordance with the constitution a committee was appointed also to receive other nominations.

## Service Roll

Chicago: Lieutenant Jack G. Kimbell left late in March for the Officers Training School, Fort Benning, Georgia. Lieut. Kimbell was a member of the Chicago Association of Credit Men, representing the Kimbell Candy Company.

Harry E. Silverstone, of the Galler Drug Company, who has been an active member of this Association and served as chairman of the Midwest Drug, Chemical and Allied Lines Credit Conferences also has left for service in the Army.

Cincinnati: Wm. S. Voss, son of Mr. and Mrs. Harry Voss, is now enrolled in the 19th Division Air Squadron at Patterson Field, Fairfield, Ohio.

Rochester: Many friends of Jack Cogswell, former secretary of the Rochester Association, will be interested to know that he is now with Company 154, U. S. Naval Training Station, Great Lakes, Illinois.

New Orleans: Thomas J. Adams, Credit Manager for the Times Picayune Publishing Company, has reported for active duty as a lieutenant in the United States Naval Reserve. Mr. Adams has taken an important part in the Newspaper Credit Group at several recent annual conventions and also has served as a member of the Board of Directors of the New Orleans Credit Men's Association since 1938.

Minneapolis: D. O. Oredson, of the Ceco Steel Products, is serving in the Air Corps. Fred Salisbury, Salisbury & Satterlee is in the U. S. Navy. R. L. Deputy, Western Grocery Company, is with the Naval Air Corps. Brace Bennett, Jr., has enlisted with the U. S. Navy.



## April 30 to Mark Close of Annual Membership Race

(Continued from page 33)

which made their percentage at the start of April at 119.94 as against 102.5 for the nearest competitor.

Syracuse continues to lead the Class C Division, but the margin is not very broad.

While not a close competitor in the Class D Division, President J. P. Haride of Sioux City won a hat at the time of the Iowa-Nebraska-South Dakota Tri-State Conference at Lincoln for the highest percentage of improvement in the Iowa-Nebraska-South Dakota area from January 1st to February 28th.

One of the encouraging features of this year's membership campaign is that despite the war conditions of the past several months there is now every prospect that the membership roster of N.A.C.M. will wind up the fiscal year very close to even with that of last year.

### Seek Books for Chapter Library

New York: The New York chapter of the National Institute of Credit is starting a campaign to provide an up-to-date library for students taking the New York chapter courses. An appeal has been sent to all the members of the New York Credit Men's Association for the donation of any books which might be of use by students. Miss Olin, registrar of the New York chapter is arranging for the collection of the books.

Omaha: E. B. Moran was the speaker and Gus Horn, chairman, at the February 17th meeting of the Rotary Club of Omaha. Mr. Moran's talk was "Credit Problems of Management."

### Employment Mart

CREDIT MAN with sixteen years' experience in wholesale food products desires change. Age 45, married. Presently employed with National concern. Address Box D-1, Credit and Financial Management, One Park Avenue, New York.

### We Wonder, Too

"Daddy, may I ask you a question?"

"Yes, son, but it must be a short one."

"If a doctor is doctoring a doctor does the doctor during the doctoring have to doctor the doctor the way the doctor being doctored wants to be doctored, or does the doctor doctoring the doctor, doctor the doctor the way he usually doctors?"

## Special War Reserves

*Recommended by American Institute of Accountants*

**EN** Accounting problems arising out of the creation of reserves to meet costs and losses created by war and post-war conditions are outlined in bulletin No. 13 just issued by the committee on accounting procedure of the American Institute of Accountants.

Primarily concerned with the problem of properly showing special war reserves in financial statements, the bulletin lists eleven purposes for which, in the judgment of management and independent public accountants, reserves may or must be provided.

The recommendation is made by the American Institute committee that, in cases where amounts of possible costs and losses are not determinable, or susceptible of even approximate measurement, the reserve provision be shown in the income statement as a deduction from the income for the period computed on the usual accounting basis, with both purpose and amount of reserves indicated as clearly as possible. When costs and losses are later determined, the committee recommends, they should be brought into the income statement "in such a way as not to obscure the results for the period then current."

Losses which may be sustained in the disposal at the end of the war of inventories useful only for war purposes, and amortization of the cost of additional plant facilities expected to be substantially reduced at the end of hostilities are two items shown in the list of reasons why reserves may or must be provided.

Losses from destruction of property as a result of the action of armed forces or seizure by the enemy is another reason cited for the creation of reserves. In the list also is loss which may be sustained in the disposal of inventories not necessarily applicable to war production and loss due to decline in the price level which, on the basis of past experience, the committee states usually follows a pronounced rise in prices.

In a statement on the subject of special war reserves, the American

Institute of Accountants committee on accounting procedure states:

### Adjustments To Be Expected

"ON the basis of experience in and after the first world war and with the expectation that there will be similar adjustments and dislocations of business after the present war, the utilitarian concept of accounting should prompt accountants and others to encourage the establishment of special reserves for costs and losses arising out of the war.

"Recognition of the necessity of such reserves is important, not only in the interest of the business enterprise, but in the interest of the national economy as a whole. The government might well take account of this fact in its fiscal policies generally and in respect of taxation. It would be wise on the part of the government to give consideration to the recognition of provisions of this kind as deductions in the determination of taxable income, subject to necessary safeguards with regard to the ultimate disposition thereof."

"Such a policy would tend to make taxable income more nearly reflect real income, since these reserves are intended to give recognition to costs and losses related to the war period which are real, though in many cases they cannot now be definitely measured.

"It is to be noted that reserves for many of the items listed have the effect of reducing the stated amount of fixed assets, while other items, such as restoration of facilities or separation allowances, will require expenditure of funds in the future. It should be emphasized that the creation of reserves for items of the latter kind does not, of itself, provide funds to meet the expenditures. Such expenditures can be made only from funds of the corporation available at the time. The creation of the reserve serves an essential purpose, however, in indicating the necessity of conserving assets rather than paying dividends."

★

47th Annual NACM Credit Congress  
Cincinnati May 10-14, 1942



## Both Feet In It!

Genial, hearty-mannered George Luks, the well-known artist, was long on friendliness, but a bit short on diplomacy.

One night at a party he saw among the late arrivals an extremely tall but very beautiful woman, and in a voice that could be clearly heard through the room, sang out, "The later it gets, the bigger they come!"

"Mr. Luks," said the subject of his remark a little later, "I know you are a great painter, and that allowances must be made for genius, but do you think it kind to draw attention to a girl for something that is not her fault, something wished on her at birth?"

"You're right," contritely answered the artist, "and to make up for it, I'll paint your portrait. And don't think that I haven't a studio big enough to paint you in!"

## How Standards Change

How standards of taste change in the course of events is seen in this story from France:

We were recently at the cinema where a dull, pre-war film was on the screen. The audience slept until the hero and heroine sat down at the table. The hero took a fresh white roll from the bread-basket and smeared it generously with butter. The audience instantly sat up. A hum of appreciation filled the theatre.

The heroine poured a big cup of coffee for the hero, added heavy cream, and asked:

"Two or three lumps of sugar, dear?"

"Three, please."

The French audience could no longer restrain itself and burst into homeric laughter. The rest of the picture was uninteresting. The sugar episode was its climax. — *Novoye Russkoye Slovo*, New York.

## Right in the Groove

Two Negro soldiers were discussing the relative merits of their company buglers.

Said one, "Fellah, when dat boy of ouahs plays pay call, it sounds 'zactly like de Boston Symphony playin' de Rosary."

The second colored boy snorted.

"Brothah, you ain't got no bugler a-tall. When Snowball Jones wraps his lips aroun' dat bugle of his, an'

# Business Thermometer

## Wholesalers' Sales, Inventories and Collections for February

**CFM** Sales of wholesalers advanced 34 percent in February 1942 over the same month of 1941, according to an announcement released today by J. C. Capt, Director of the Census. The gain reported in January of this year as compared with January 1941 was 37 percent. For the first two months of 1942, the gain amounted to 36 percent over corresponding months in 1941. A decrease of 4 percent occurred between January and February of 1942 as against the decrease of 1 percent which occurred between these months in 1941.

This monthly study is conducted jointly by the National Association of Credit Men and the Bureau of the Census. Detailed figures are presented in the tables on the following page and in summary for the United States, and insofar as the data permit without disclosing individual operations, by geographic divisions.

Increases ranging from 9 percent to 116 percent were reported in all but one of the 35 trades for February 1942 compared with the same month a year ago. Seven trades gained as

plays mess call, I look down at mah beans, an' I sez: 'Strawberries, behave! You is kickin' de whipped cream out of de plate.'"

## Beyond His Power

Once the late Chief Justice Matthews, while presiding over the Supreme Court at Washington, took the Associate Justices for a run down Chesapeake Bay. A stiff wind sprang up, and Justice Gray soon found himself hanging miserably over the rail, fearing one moment he would die and the next moment fearing he would not. The Chief Justice passed and, touching Gray on the shoulder, inquired sympathetically, "Is there anything I can do for you, Gray?"

Justice Gray smiled weakly and replied, "No, thank you, unless you can overrule this motion."

much as 50 percent or more for February 1942 compared with February 1941. Four additional trades show gains ranging from 40 to 50 percent. General line hardware increased 45 percent, industrial supplies 36 percent, and plumbing and heating supplies 39 percent. Grocery wholesalers reported a gain of 30 percent. Drugs and sundries (liquor excluded) show a gain of 18 percent. A decrease of 5 percent was reported by the metal trades.

Inventories, in terms of dollars based on cost values, rose slightly (less than 1 percent) during the month, but are 24 percent above the end of February 1941 total. For fourteen consecutive months inventories at the end of the month have exceeded those at the beginning. February is the thirty-first consecutive month in which inventories have exceeded those at the same date one year earlier. A part of the inventory gain, as well as the sales gains, must, however, be attributed to prices.

The sales-stock ratio at the close of February 1942 was 157 as against 165 for the same month of 1941. Twenty-three trades reported decreases in stock-sales ratios between February 1941 and February 1942, while nine reported increases. Wholesalers of electrical goods, with a 37 percent gain in inventory for February 1942 over February a year ago and a 28 percent gain in sales, continued to be among those outstanding for rising stock-sales ratios.

Collections on accounts receivable for February show a moderate gain compared with collections for February a year ago but were slightly below those of the preceding month. The collection ratio for February was 79, compared with a ratio of 71 for these firms in February 1941 and 82 in January 1942. Accounts receivable were 25 percent greater on February 1, 1942 than at the same date in 1941.



## WHOLESALESAERS' sales and inventories, February, 1942

Kind of Business	Sales—Current Month				Sales—Year-to-Date		Inventory—End-of-Month (At Cost)				Stock-Sales Ratios*		
	Number of firms reporting sales	Percent change Feb. 1942 from		Feb. 1942 (Add 000)	Percent change from 2 Mos. 1941 (Add 000)	2 Mos. 1942 (Add 000)	Number of firms reporting stocks	Percent change Feb. 1942 from		Feb. 28, 1942 (Add 000)	Feb. 1942	Feb. 1941	Jan. 1942
		Feb. 1941	Jan. 1942					Feb. 1941	Jan. 1942				
Automotive supplies.....	193	+18	—19	\$3,638	+31	\$9,129	90	+11	—1	\$4,775	240	246	196
Chemicals (industrial).....	20	+40	—12	1,513	+42	3,507	14	+32	+5	643	54	56	46
Paints and varnishes.....	68	+57	—5	3,096	+49	6,272	17	+24	+2	1,292	231	243	177
Clothing and furnishings, except shoes.....	43	+32	+19	3,812	+37	7,093	24	+20	—5	1,323	137	177	180
Shoes and other footwear.....	32	+31	+8	16,496	+29	31,772	20	+21	—4	7,777	91	95	112
Coal.....	11	+22	—10	1,476	+23	3,246	—	—	—	—	—	—	—
Drugs and sundries (liquor excluded).....	125	+18	—11	19,140	+15	43,013	97	+16	+1	28,722	191	194	167
Dry goods.....	98	+54	+3	16,436	+53	32,470	52	+33	—5	24,580	227	261	234
Electrical goods.....	322	+28	+15	35,360	+31	70,598	286	+37	—3	36,241	107	100	127
Dairy and poultry products.....	29	+31	—18	1,763	+37	4,883	15	+64	—16	445	59	47	62
Fresh fruits and vegetables.....	78	+16	—8	3,908	+18	8,880	49	+54	—5	847	46	35	43
Farm supplies.....	7	+116	+54	1,384	+109	2,368	—	—	—	—	—	—	—
Furniture and house furnishings.....	64	+52	+17	7,429	+48	15,774	33	+29	—3	11,042	214	259	268
Groceries and foods, except farm products.....	607	+30	—10	55,066	+32	130,584	367	+24	+1	52,160	166	171	152
Full-line wholesalers.....	326	+29	—10	23,645	+32	52,347	193	+25	+2	26,449	181	182	160
Voluntary-group wholesalers.....	156	+28	—8	20,692	+31	49,723	106	+21	—5	17,364	169	173	163
Retailer-cooperative warehouses.....	24	+36	—9	4,682	+35	9,636	12	+28	—1	3,941	132	143	124
Specialty lines.....	101	+38	—13	6,047	+35	18,878	56	+34	+5	4,406	128	139	110
Confectionery.....	31	+32	—5	450	+26	1,064	16	+16	+4	201	89	91	92
Meats and meat products.....	93	+44	—13	28,983	+65	62,846	59	+40	+1	7,431	62	61	57
Beer.....	51	+27	—6	606	+32	1,528	37	—7	—5	264	59	78	55
Wines and liquors.....	27	+29	—19	3,818	+47	9,770	16	+33	+7	7,597	239	233	182
Liquor department of other trades.....	38	+50	—10	5,204	+66	11,372	36	+36	+2	10,093	197	218	174
Total hardware group.....	372	+41	—2	42,066	+44	94,824	237	+17	+5	66,491	225	269	221
General hardware.....	141	+45	—2	23,501	+46	52,400	88	+16	—1	45,877	258	322	262
Industrial supplies.....	116	+36	—2	12,234	+44	28,644	81	+17	+5	14,935	170	190	161
Plumbing and heating supplies.....	115	+39	—4	6,331	+39	13,780	68	+27	+6	5,679	194	209	168
Jewelry.....	32	+32	+39	1,640	+20	3,214	18	+16	+12	2,608	291	322	331
Optical goods.....	21	+20	+2	291	+21	646	7	+38	+4	132	152	128	138
Lumber and building materials.....	43	+25	—1	2,615	+21	6,330	28	+18	+3	2,993	149	164	146
Machinery, equipment and supplies, except electrical.....	63	+23	—3	4,111	+33	8,660	42	+6	+5	5,032	156	175	148
Surgical equipment and supplies.....	20	+28	—9	412	+33	1,844	11	+22	+4	588	217	250	197
Metals.....	30	—5	—7	5,767	+5	12,405	21	—10	+1	6,571	132	136	126
Paper and its products.....	99	+47	—9	8,298	+51	18,030	52	+24	+3	6,210	134	168	123
Petroleum.....	13	+43	—7	20,883	+38	43,387	8	+55	—2	1,053	80	66	70
Tobacco and its products.....	146	+9	—6	11,897	+12	25,738	59	+86	+2	5,522	96	55	88
Leather and shoe findings.....	13	+104	+3	296	+84	583	—	—	—	—	—	—	—
Miscellaneous.....	27	+25	+7	2,272	+21	4,974	27	+9	—5	3,240	153	171	176
United States.....	2,816	+34	—4	\$310,126	+36	\$676,804	1,738	+24	+5	\$295,873	157	165	156

\* These stock-sales ratios are percentages obtained by dividing stocks by sales for an identical group of firms. ‡ Less than 0.5 percent.  
 — Insufficient data to show separately. † Not affiliated with voluntary or cooperative groups. ‡ Chiefly of the wholesale drug trade.

## WHOLESALESAERS' accounts receivable and collections, February, 1942

Kind of Business	Number of firms reporting	Collection Percentages*			Accounts Receivable		
		February 1942	February 1941	January 1942	Percent change February 1942 from		As of February 1, 1942 (Add 000)
					February 1941	January 1942	
Automotive supplies.....	144	70	57	70	+22	—2	\$4,284
Chemicals (industrial).....	20	82	83	94	+46	+10	1,900
Paints and varnishes.....	35	42	37	49	+25	+11	1,571
Clothing and furnishings, except shoes.....	41	62	52	63	+17	+10	4,884
Shoes and other footwear.....	29	41	35	52	+36	+25	11,885
Coal.....	11	87	82	89	+25	+3	1,843
Drugs and sundries (liquor excluded).....	111	72	67	74	+11	—1	24,749
Dry goods.....	88	48	45	54	+30	+6	26,063
Electrical goods.....	302	73	71	71	+29	—7	42,943
Dairy and poultry products.....	20	143	138	149	+25	—5	1,051
Fresh fruits and vegetables.....	61	140	133	153	+20	+1	1,241
Farm supplies.....	4	122	113	125	+98	+53	674
Furniture and house furnishings.....	52	49	50	51	+41	+2	11,589
Groceries and foods, except farm products.....	456	102	91	108	+18	+7	42,090
Full-line wholesalers.....	225	93	84	100	+17	+7	17,516
Voluntary-group wholesalers.....	129	106	94	108	+16	+6	16,322
Retailer-cooperative warehouses.....	18	181	160	219	+24	+31	2,115
Specialty lines.....	84	88	81	96	+26	+8	6,137
Confectionery.....	19	78	78	80	+22	—6	353
Meats and meat products.....	83	164	164	187	+67	+9	18,150
Beer.....	22	127	116	135	+13	—1	135
Wines and liquors.....	21	89	88	97	+43	—3	4,066
Liquor department of other trades.....	34	70	72	78	+49	—9	7,326
Total hardware group.....	350	67	56	67	+21	—1	55,631
General hardware.....	133	62	48	63	+15	+2	32,844
Industrial supplies.....	104	81	75	73	+35	—6	15,191
Plumbing and heating supplies.....	113	68	57	71	+28	—8	9,596
Jewelry.....	24	30	21	52	—8	—52	3,013
Optical goods.....	18	69	62	70	+9	—1	328
Lumber and building materials.....	41	73	63	79	+4	—9	3,511
Machinery, equipment and supplies, except electrical.....	55	66	60	63	+44	—2	6,062
Surgical equipment and supplies.....	19	55	47	52	+16	—1	742
Metals.....	29	104	96	101	+1	—5	6,097
Paper and its products.....	86	71	60	71	+33	+3	11,349
Petroleum.....	10	109	126	149	+55	+34	1,321
Tobacco and its products.....	99	120	114	130	+7	—9	7,631
Leather and shoe findings.....	11	48	35	47	+23	+11	330
Miscellaneous.....	22	76	66	77	+4	—5	1,966
United States.....	2,317	79	71	82	+25	—1	\$304,778

\* Collection percentages are obtained by dividing the collections by accounts receivable for an identical group of firms.  
 † Less than 0.5 percent.